

The shape of '61—for chemicals, for electronics

(Industries)

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BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

FIFTY CENTS

DEC. 3, 1960



Pres. A. G. Handschumacher (right) runs Lear, Inc., from California—while founder Bill Lear operates from Switzerland. (Management)

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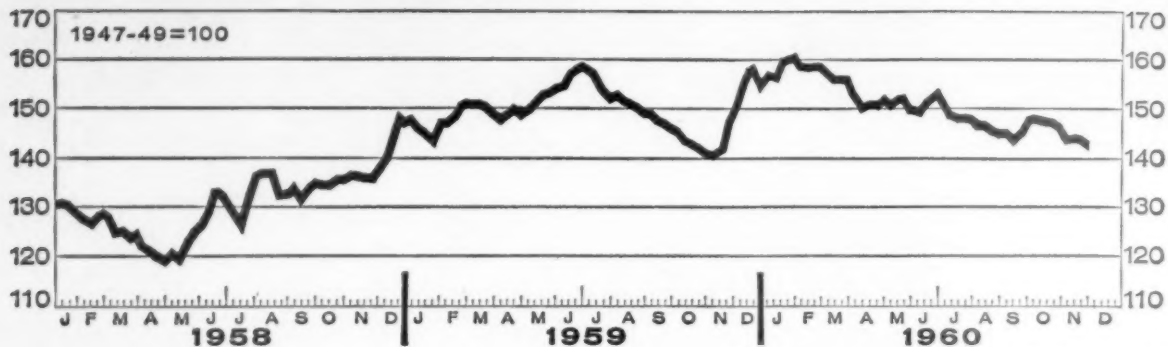
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FIGURES of the WEEK



BUSINESS WEEK INDEX (chart)

1953-55 Average	Year Ago	Month Ago	Week Ago	5 Latest Week
133.3	150.9	146.7	144.3r	143.3*

PRODUCTION

Steel ingot (thous. of tons).....	2,032	2,650	1,478	1,367r	1,404
Automobiles	125,553	46,740	150,019	149,753r	113,705
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$69,114	\$65,256	\$77,170	\$81,202
Electric power (millions of kilowatt-hours).....	10,819	13,173	13,883	14,042	13,500
Crude oil and condensate (daily av., thous. of bbls.).....	6,536	6,969	6,821	6,968	6,992
Bituminous coal (daily av., thous. of tons).....	1,455	1,600	1,423	1,331r	1,330
Paperboard (tons)	247,488	310,853	318,032	309,245	270,596

TRADE

Carloadings: miscellaneous and l.c.l. (daily av., thous. of cars).....	70	59	60	57	55
Carloadings: all others (daily av., thous. of cars).....	47	46	46	41	40
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	182	157	163	169
Business failures (Dun & Bradstreet, number).....	198	268	331	329	276

PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	93.9	88.1	88.0	88.5
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	72.8	75.9	75.8	75.9
Print cloth (spot and nearby, yd.).....	19.8¢	22.4¢	18.2¢	18.0¢	18.0¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.8	186.2	186.2	186.2
Scrap steel composite (Iron Age, ton).....	\$36.10	\$43.50	\$28.17	\$28.33	\$28.50
Copper (electrolytic, delivered price, E&MJ, lb.).....	32.39¢	33.74¢	30.00¢	30.00¢	30.00¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	24.7¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	††	23.92¢	23.01¢	23.01¢	23.00¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$2.07	\$1.98	\$2.00	\$2.01
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	31.62¢	30.20¢	30.19¢	30.19¢
Wool tops (Boston, lb.).....	\$1.96	\$1.85	\$1.66	\$1.68	\$1.68

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	58.32	53.48	55.76	55.88
Medium grade corporate bond yield (Baa issue, Moody's).....	3.59%	5.25%	5.12%	5.07%	5.09%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	4%	3½%	3%	3%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††	61,260	60,332	58,561	59,266
Total loans and investments, reporting member banks.....	††	102,841	107,436	107,295	106,920
Commercial, industrial, and agricultural loans, reporting member banks....	††	30,820	32,503	32,919	32,778
U. S. Gov't guaranteed obligations held, reporting member banks.....	††	27,232	29,566	29,102	29,011
Total federal reserve credit outstanding.....	26,424	28,857	28,417	29,658	29,542
Gold Stock	21,879	19,581	18,417	18,004	17,977

MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Cost of living (U. S. Dept. of Labor BLS, 1947-49 = 100)..... October.....	114.6	125.5	126.8	127.3
McGraw-Hill Indexes of New Orders (1950 = 100)				
New Orders for machinery, except electrical (seasonally adjusted)..... October.....	104	174	174	169
Construction & mining machinery	111	194	143	142
Engines & turbines.....	106	188	136	131
Pumps & compressors.....	120	189	271	293
Metalworking machinery	125	222	205	159
Other industrial machinery.....	95	139	150	147
Office equipment	109	180	205	217
New contracts for industrial building.....	128	171	179	192
New orders for machinery for export.....	N.A.	112	124	131

* Preliminary, week ended November 26; 1960.

†† Not available.

NA—Not available at press time.

r Revised.

Ⓢ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Leonard Nadel; 25—Pictorial Parade; 27—WW; 28—(left to right) WW, UPI, WW; 30-31—Tibor Hirsch; 36—(left) WW, (right) UPI; 61—Noel Clark; 70-71—Bud Blake; 77-78—Ernest Reshovsky; 118—(top) Tibor Hirsch, (bottom) Leonard Nadel; 119—(top) Tibor Hirsch, (bottom) Leonard Nadel; 126—Hans Basen.

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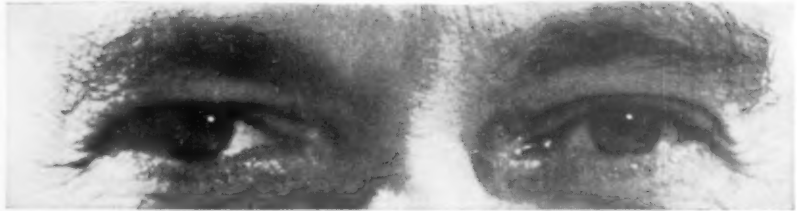
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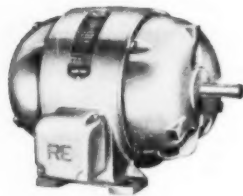
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Product Design File, section 7a/RE

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READERS REPORT

300 a Day

Dear Sir:

I read with a great deal of interest your article entitled Cut-Rate Drugs for Union Families [BW—Nov.5'60,p133].

In your article is included the fact that union members' families will expect to receive a discount of some 30% on pharmacy and drug items . . . you give as an example, District 65, which employs seven registered pharmacists and fills 300 prescriptions a week. . . .

A good registered pharmacist fills about 300 prescriptions a week.

HAROLD E. FREESE

KEARNEY CLINIC

KEARNEY, NEB.

• It should have been a day.

Commodities Clause

Dear Sir:

Your interesting and well written article under Transportation [BW—Nov.12'60,p191] entitled Crack-down on Shady Truckers might have added the fact that the device of buying and selling commodities by a transportation agency is nothing new. The device dates back to the earlier days of railroad regulation. At that time it was simply and summarily dealt with by the famous "commodities clause" which forbids railroads to own the commodities they transport except their own company material. . . .

H. E. BIXLER

NORTHEAST AIRLINES

BOSTON, MASS.

Only Third Youngest

Dear Sir:

Carp's Washington (McGraw-Hill) cited by BUSINESS WEEK [BW—Nov.19'60,p139] is incorrect in stating "She (Mrs. Frances Folson Cleveland) was the only first lady younger than Mrs. Kennedy."

John Tyler was the first President to be married while in office. He married Julia Gardiner in the Church of the Ascension, Fifth Avenue and Tenth Street on June 26, 1844. Julia Gardiner was then 24 years and 53 days old, two years older than Mrs. Cleveland and seven years younger than Mrs. Kennedy. Thus Mrs. Jacqueline Kennedy becomes the third youngest First Lady. . . .

FRANK W. FINNEGAN

BROOKLYN, N. Y.

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BUSINESS WEEK • DECEMBER 3, 1960 • NUMBER 1631

Published weekly by McGraw-Hill Publishing Company, Inc. Founder: James H. McGraw (1860-1948).
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EXECUTIVE, EDITORIAL, CIRCULATION AND ADVERTISING OFFICES: McGraw-Hill Building, 330 West 42nd

Street, New York 36, N. Y. Telephone: Longacre 4-3000.

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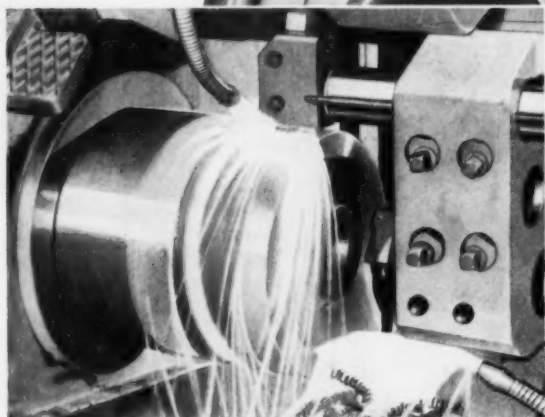
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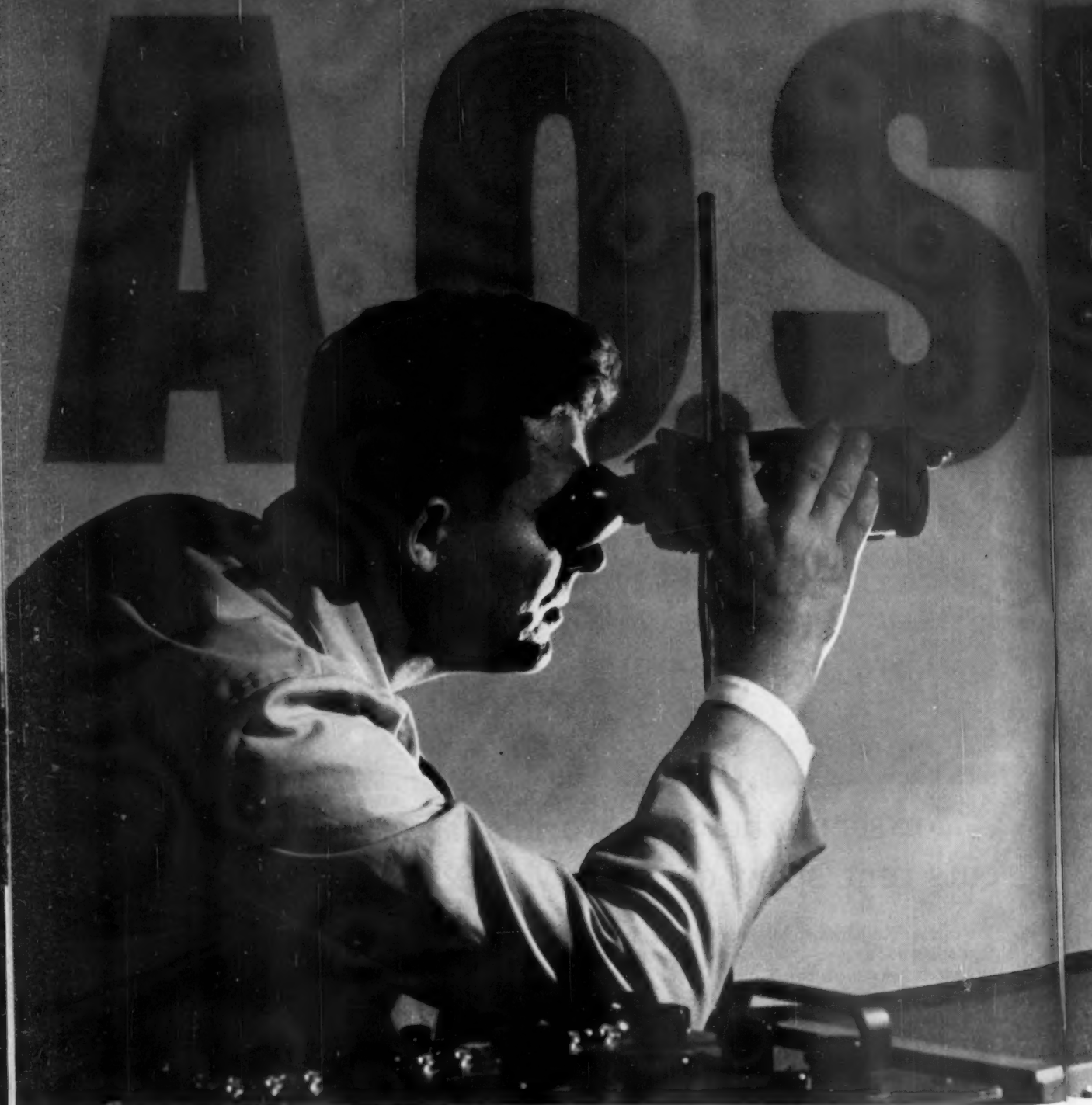
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B-12



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GET COMPACT-ECONOMY IN A HALF-TON TRUCK DART PICKUP



This is the all-new Dart Pickup by Dodge. It is unique in American commercial transportation. For this is the first and only truck to combine a compact diet, a compact upkeep budget, and compact handling with characteristics not ordinarily associated with the word "compact". By this we mean that here is a pickup that can do a full-time, full-load job of work for you anywhere, any day, and do it with economy and effortless ease.

Dart Pickup has a brand-new inclined engine. We call it the Dart Power Six. And we know precisely what it can do with a gallon of regular, because we've pitted it against the big competition, Ford and Chevrolet, time and again. Each time we did, Dart Pickup came out ahead in the only payoff that means a thing to truck owners, actual miles per gallon.

Other features of the Dart Pickup are its appearance, ride, clutching, shifting, steering, handling, even its new soft sound. The appearance is self-evident. It is all new, differently new. The rest of its newness you'll have to experience to know. And to experience it on a hard job will be the most rewarding.

Dart Pickup's ride is remarkable in that it has succeeded in taking all the truckiness out of truck ride. Even more remarkable is the fact that its suspension is incredibly simple, with no bars, no rods, no gimmicks, almost nothing that can go wrong. It is virtually service free. And it exacts no penalty, in reduced front tire mileage, for the relaxing ride it gives.

There are only two more things to say. One is that the Dart Pickup is only part of the 1961

Dodge commercial transportation story. There is also the Dodge line of conventional and cab forward models, the four-wheel-drive series, the door-to-door models, and a school bus chassis series, powered with Six and V8 gasoline engines and Cummins diesels, too. The weight spread is from 4300 lbs. GVW to 76,800 lbs. GCW. And that is just brief mention of a whole lot of trucks in a very little space.

The final word is price. The new Dart Pickup and the whole 1961 Dodge truck line are priced competitively with any trucks coming or going. Add to that their muscle, hustle and money saving ways, and it's plain to see that Dodge has the lot of 'em whipped from the start. Before you make your next move with a truck . . .

SEE YOUR DODGE DEALER!



NEW FROM EASTMAN

TENITE Polyethylene is now available in formulations containing a new ultraviolet inhibitor that gives them superior resistance to sunlight and weathering

- Exposure tests prove the superior durability of polyethylene film, sheet and moldings stabilized with new Eastman inhibitor
- Effectiveness is not impaired by molding or extruding temperatures up to 600°F.
- Stabilized film retains a high degree of clarity, flexibility, smoothness and toughness
- The new inhibitor markedly extends the useful life of polyethylene film for greenhouse glazing...silo, storage and machinery covers

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no stabilizer

contains
commercial
stabilizer

contains
new Eastman
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Atlanta, Chicago, Cleveland, Dallas, Dayton, Detroit, Greensboro (N.C.), Kansas City (Mo.), Leominster (Mass.), New York City, Philadelphia, Rochester (N.Y.), St. Louis, Toronto.

WEST COAST REPRESENTATIVE:

Wilson & Geo. Meyer & Company, San Francisco, Los Angeles, Portland (Ore.), Seattle.

New, specially stabilized Tenite Polyethylene formulations for extrusion into thin, transparent, weather-resistant film are now available from Eastman. Incorporated in the resins is a new non-pigment ultraviolet inhibitor developed by Eastman chemists.

The effectiveness of the inhibitor is not impaired by molding or extrusion temperatures as high as 600°F. This, too, represents an improvement over polyethylene formulations stabilized with previously available ultraviolet inhibitors.

Film only 5 mils thick, extruded from a typical Tenite Polyethylene formulation containing the new inhibitor, has withstood two years of continuous outdoor weathering with little loss of strength. Results of tests

on the exposed film show that it retained more of its original properties after 24 months' exposure than film of unstabilized polyethylene retained after only 12 months' exposure.

Specifically, the stabilized film retained a high degree of original clarity, and remained smooth, pliable and tough.

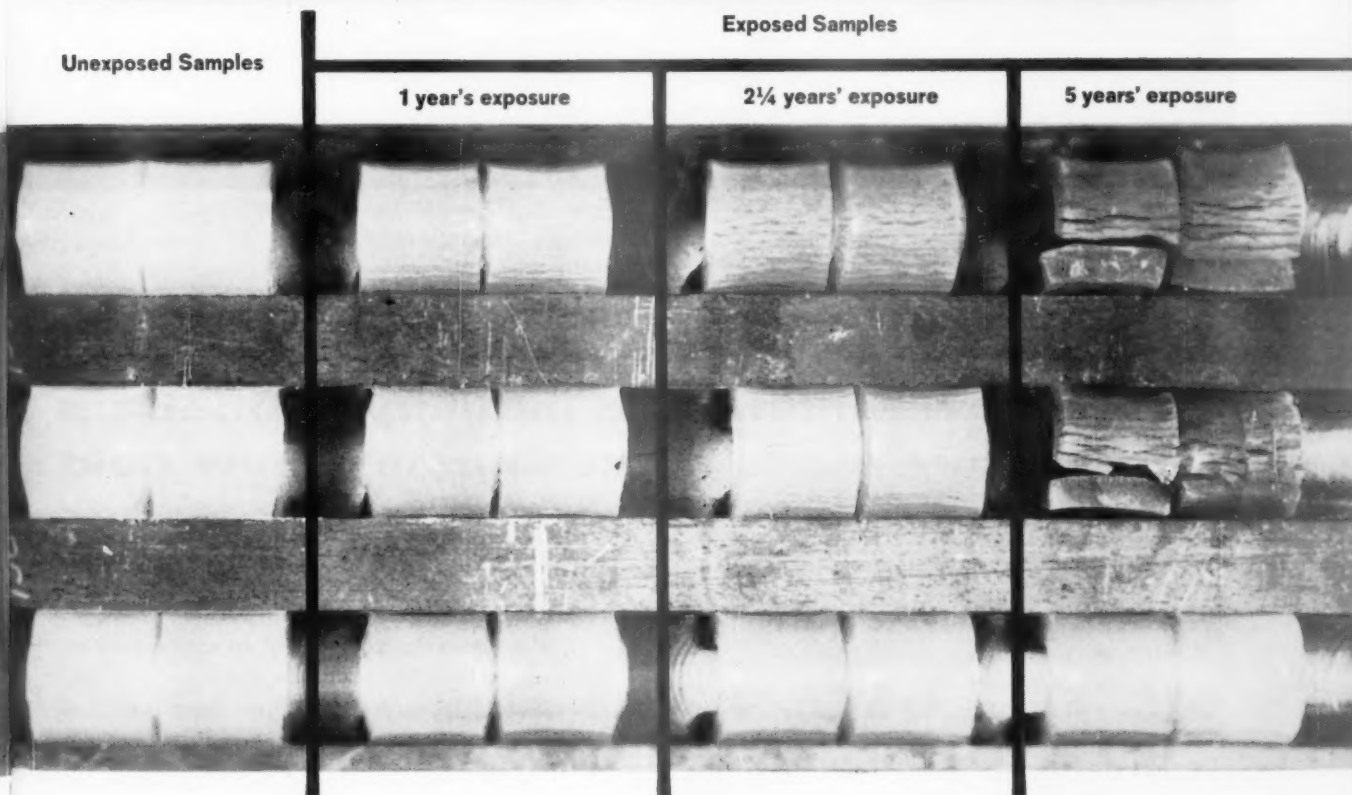
The demonstrated superior performance of the new stabilized resins greatly extends the usefulness of polyethylene film in such outdoor applications as glazing for greenhouses, and protective covers for silage, machinery and other outdoor-stored materials.

Eastman also supplies a stabilized Tenite Polyethylene formulation for extrusion of sheet 50 mils or thicker

as well as for injection molding of heavier sections. In weathering tests recently completed, 50-mil sheet of this material retained 88% of initial elongation after three years of outdoor exposure. Heavier sections (125 mils), weathered under stress, still retained their good appearance after five years. Such results indicate that polyethylene sheet and molded parts can be expected to resist the elements two to three times as long as was previously possible.

For further information on Tenite Polyethylene formulations stabilized with the new ultraviolet inhibitor, contact any of the Tenite sales offices, or write EASTMAN CHEMICAL PRODUCTS, Inc., subsidiary of Eastman Kodak Company, KINGSFORD, TENNESSEE.

WEATHERABILITY OF STRESSED TENITE POLYETHYLENE



Pictures are better than words!

Here is an unretouched photograph showing a test rack of stressed molded specimens after 5 years of continuous exposure in Tennessee. Specimens were 125 mils thick and were molded from a typical base formulation of Tenite Polyethylene. The photograph forcefully illustrates the effectiveness of Eastman's new ultraviolet stabilizer.

TENITE®
POLYETHYLENE
an Eastman plastic



The hydrofoil principle: as the craft gains momentum, the hull is lifted clear of the surface by its foils, thus reducing drag and greatly increasing speed. "Sea Wings" hydrofoils now being built will have the general configuration of this artist's conception.

How government and industry teamed up to capture world leadership in a new field

The world's first open-ocean hydrofoil craft, now under construction at Grumman Aircraft Engineering Corporation's plant in Bethpage, Long Island, will be launched in the summer of 1961. It will be the culmination of an exciting venture . . . jointly conceived and carried out by a unique government-industry team.

Design of this revolutionary new mode of sea transportation is in the hands of Dynamic Developments Inc., an affiliate of Grumman. But credit for the entire undertaking must, of course, be shared by two government agencies on the one hand, and more than a score of industrial corporations on the other.

The U.S. Maritime Administration sponsored the original research and awarded the development

contract to Dynamic Developments Inc. The U.S. Navy contributed funds, the gas generators and a test craft for foil study.

In addition to this government sponsorship, every member of the industrial team is contributing substantially to the program. These companies, and the area of their participation, are listed at the right.

The result of this unusual government-industry cooperation will be the production and operation of the world's most advanced hydrofoil systems typified by this 90-ton, 104-foot, high-speed prototype. Another result of this venture will be to place the United States in a position of dominance in this important new field. Grumman Aircraft and its affiliate, Dynamic Developments, salute all those who are contributing to the project's advancement.

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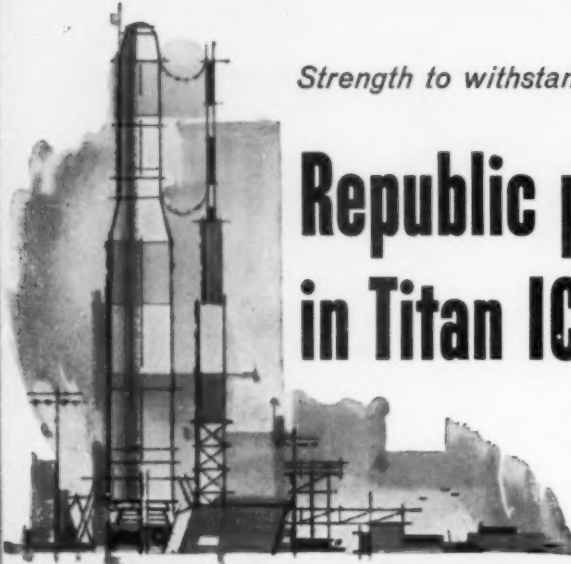
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Strength to withstand nearby nuclear blasts in the megaton range...*

Republic products go underground in Titan ICBM launching complexes

Installation of the first unit of Republic Sectional Plate Pipe connecting antenna silos to the control center.



Underground launching sites for the Air Force TITAN ICBM are a vital part of the United States' defense arm. Effective protection for these hard bases involved construction materials of many types — (reinforced concrete up to 8-feet thick, steel plates, blast doors, etc.). Products of proved performance and known quality were selected, for where the safety of our country is concerned, there is no margin for error.

Republic Products used in the installations include: Sectional Plate Pipe, Galvanized Sheets, Bolts and Nuts, Steel Pipe, and Truscon Reinforcing Bars.

When completed, each TITAN complex (missile silos, propellant and equipment terminals, connecting-tunnel networks) will be buried under 20 feet or more of earth. The bases are designed to withstand nearby nuclear blasts in the megaton range, making the strength of basic components an important consideration.

Credit for the speed and efficiency with which the TITAN bases are being made operational goes to the military planners, to the U. S. Army Corps. of Engineers, to private design architect-engineers in the employ of the military; and to the many private contractors, subcontractors, and fabricators, who have had a part in the projects. Republic is privileged to work with these groups, through district and division sales personnel, as well as through a central co-ordinating office set up to offer complete technical service and product information.

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*megaton—measure of nuclear bomb intensity. Equivalent to the energy release obtained by detonation of one million tons of TNT.



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Interior view of Republic Sectional Plate tunnel connecting antenna silos to control center and power house. Republic Steel Pipe is being installed.



Truscon Re-Bars provide hard core of strength in domes of control centers, such as the one shown. Workmen are roughing in electrical system prior to concreting.



Aerial view of TITAN ICBM launching complex under construction. Republic products are being used in TITAN installations at Lowry, Edwards, Vandenburg, Ellsworth, and Larson Air Force Bases.

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National's RESYN 3600 can be applied by high speed coating machines or by spraying to paper, paperboard, plastic and other substrates. Also textiles. It offers these greater barrier properties: **MOISTURE**—Moisture vapor transmission is 2½ to 5 times lower than that of polyethylene. **ODORS**—Resistance to transmission of common gases 1,000-2,000 times greater than polyethylene. **CHEMICALS**—Almost complete non-reactivity to concentrated acids, solvents, alkalies and other corrosive materials. Grease and oil penetration is nil. Fire retardancy is excellent.

Some of the food packaging possibilities for materials coated with RESYN 3600 are: Drinking cups, bread wraps, milk con-

tainers, paraffin cartons, linerless frozen food cartons, paperboard pails, linerless boxes for cereal and powder mixes, butter wraps, etc.

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BUSINESS OUTLOOK

BUSINESS WEEK

DEC. 3, 1960



You can hear faintly hopeful murmurings from steel if you listen ever so closely. January may mark a turn for the better.

Not that any month could be much worse than November—unless, indeed, it turns out that December is. The final two months of 1960 look about as dismal as July (which was supposed to be an absolute bottom).

Orders for steel in the Chicago area seem to be picking up. They call for January delivery and extend to almost all product lines.

One Chicago producer, while warning that his January gain will not be large, declares he expects improvement each month thereafter. And he permits himself to hope that the second quarter will be "pretty good."

Leading steel companies in most areas apparently have not as yet felt the improvement in orders that seems to be appearing in Chicago.

"The steel industry this week enters its sixth consecutive month of operations at close to 50% of capacity," says Iron Age. "And there is no indication of any significant change until well in 1961."

Autos are the question mark, the magazine notes. Here there are at least signs that cancellations and delivery delays may be ending.

If prices for steel-making scrap still are (or ever were) a barometer of industry operations, there may be a ray of hope here, too.

A transaction involving 5,500 tons of scrap was reported in Pittsburgh this week at a price 25¢ to 50¢ a ton above recent quotations.

Small and isolated as this rise is, it is the first in three months. And, aside from minor interruptions, scrap prices have been tumbling for more than a year—from a high of \$45 in October, 1959, to \$25.

Demand for steel scrap is subject, of course, to other things than the rate of industry activity. Whether it is dear or whether it is going at what seems a bargain price often is the biggest consideration.

The mills themselves generate a good deal of "home" scrap—the amount being in direct relation to products fabricated. And they can fatten the amount of pig iron mixed with scrap in the furnace charge.

So, if ore piles are big and scrap prices high, the mix will be lean on scrap. But now scrap is relatively cheap. It may increase its share even though mill operations are at a very low level.

Metals generally are on the bargain counter, as measured by the spot market index of the Bureau of Labor Statistics.

The steel scrap price tumble accounts for a good bit of the drop, for this is a limited index (the other components being copper and lead scrap, tin, and zinc). But copper and lead scrap are down, too.

The index hit a new low since mid-1958 a few days ago at 88.1; that compares with 104.8 in October, 1959, and the 1956 peak of 130.9.

Prices of industrial raw materials generally have had quite a comedown in the last year, partly due to the fall in the metals.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

DEC. 3, 1960

But metals aren't the whole thing. Just within the last few months, the price of rubber has flopped from above 46¢ a lb. to below 30¢, print-cloth by about 15%, and hides by nearly 25%.

Strong demand for leather had sent hide prices skyrocketing between mid-1958 and 1959—a runup from around 15¢ a lb. to 30¢.

Though the cattle population was high, slaughtering wasn't particularly large, for stockmen were holding back for breeding purposes. At the same time, 1959 shoe output was running up a towering record.

The ensuing comedown in hide prices reflects record cattle slaughter and something less than the expected demand for leather.

Shoe output this year may not top 610-million pairs, according to the Tanners' Council of America, down from 623-million last year.

—•—

If you're looking for one big, bellwether industry to help business next year, cast an eye on construction. It has a reputation for contra-cyclical performance, and it's in a fair way to maintain it.

The government experts are out now with what should be educated guesses. They estimate value of all construction in 1961 at \$57.3-billion; that would be \$2.2-billion better than revised estimates for this year and \$1-billion ahead even of record 1959.

Forecasts in construction, just as anywhere else, are hazardous.

The government estimate of 1960 work-value, made a year ago, was pared a bit at midyear. And now the new figures show it being reduced again to the tune of some \$625-million off the midyear guess.

But, if the compilation just made public holds up, the 1961 construction gains should be right across the board.

Public works, which have picked up briskly in the late months this year to top expectations, are expected to rise to \$17.1-billion in 1961. That would be an increase of about \$850-million over this year.

Roads and highways are expected to account for \$6-billion of this total, up from \$5.7-billion in 1960 and a new record. School construction would go up by \$225-million to an estimated \$3.1-billion.

Privately financed construction is expected to rise to \$40¼-billion next year, almost \$1.4-billion higher than this year.

Industrial building (after a thumping 38% gain in 1960 over 1959) is seen continuing on up to \$3.1-billion, a \$200-million gain. And commercial construction is placed at \$4.2-billion, aided by the unabated boom in office buildings.

Public utilities will nose ahead of their three-year-old 1957 record, if the estimates hold up, with a 1961 total of \$5½-billion.

Private residential construction is expected to fall far short of 1959's \$24½-billion record but to rise about 3% above 1960.

The total of \$22.6-billion will be achieved, according to the official projections, on a brisk rise in the second half of 1961.



Five-foot circular diffusers of PLEXIGLAS at First National Bank of Marlin, Texas. Architect: Robert W. Maurice, AIA, Houston, Texas

Plexiglas...for lighting that stands out and stands up

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Programming is a demanding process. And it takes time. It took, for example, the equivalent of 45 man-years to develop the FORTRAN (FORmula TRANslator) systems which IBM released in 1957. Containing 75,000 programmed instructions, FORTRAN is *still* the most widely used system for solving scientific problems on IBM computers.

New system to use everyday business language

IBM programmers are now implementing COBOL*, the COMmon Business Oriented Language translator. This, like the IBM Commercial Translator introduced last year, is a programming system in which everyday business language becomes the language of computer instructions. The result of all these machine languages is a saving in programming costs that might easily equal 40% of a customer's data processing system investment.

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Behind the Shock Tactics in Bonn

● Treasury Secy. Anderson's tough line in asking German help in payments problem was a deliberate move.

● As barrage of criticism subsides, some positive results of his "shock treatment" begin to show up.

● Germans agreed to a number of aid, trade, and military measures that will ease pressure on U.S.

Secy. of the Treasury Robert B. Anderson was in Bonn last week demanding that the West Germans pick up, in one form or another, the tab for the \$650-million the U.S. spends in Germany each year to maintain its armed forces there. This expenditure is a major item in the critical U.S. balance-of-payments deficit.

Anderson was rebuffed. He had known in advance that he would be.

• **Barrage**—Anderson was accompanied by Under Secy. of State C. Douglas Dillon. His demand and its refusal drew upon him a barrage of criticism from lower level officials in Bonn, from officials in the State and Defense Depts., and from the U.S. press.

He was accused of having damaged U.S.-German relations, of having raised the specter of U.S. troop withdrawal from Germany at a critical stage of the cold war, of having risked further loss of confidence in the strength of the dollar by what might appear to be panicky action, and of having failed to consult adequately in advance with the State Dept. and the Bonn government.

Early this week, the criticism had reached such a pitch that Pres. Eisenhower issued a statement backing Anderson's mission and denying the more extreme charges.

• **Behind the Smoke**—As tempers began to cool at midweek, three general conclusions emerged:

Anderson really did not return empty-handed. He won agreement from the Germans on a number of aid, trade, and military measures that in time could ease considerably the pressure on the U.S. balance of payments.

His tough talk to the Germans should help rather than hinder the new Administration's efforts to solve the balance-of-payments problem. The general re-

action among President-elect Kennedy's advisers seems to be that West Germany must indeed make a bigger contribution to economic development and defense, and that a little table pounding might do some good—particularly since it would not be held against the new Administration.

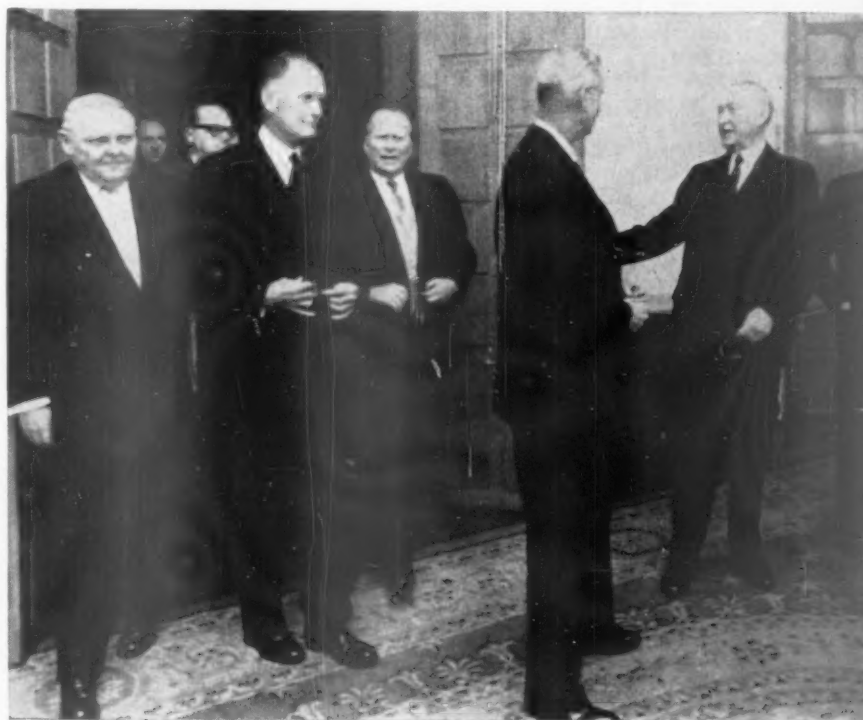
• **Question of Approach**—Some Administration officials still feel that the payments deficit—which probably will be \$4-billion this year—will correct itself

in time without radical changes in the structure of U.S. financial relationships with the world. And Kennedy's advisers tend to lay more stress on positive measures to increase the productivity of the U.S. economy and tighten economic coordination with the Allies than they do upon trimming U.S. overseas spending.

But even officials in Washington who still criticize Anderson's approach concede that the new actions promised by the Germans may well improve the U.S. financial position in the world.

• **What Germans Pledged**—As a result of last week's negotiations, the proposed \$1-billion German aid program for underdeveloped areas will be more helpful potentially to the U.S. than originally anticipated. The German negotiators gave solemn assurances that their assistance definitely will not be tied to purchases of German goods.

Beyond that, the Germans agreed to make low interest or no interest loans



GERMAN Chancellor Adenauer greets Treasury Secy. Anderson on Bonn mission (right), as Under Secy. of State Dillon and German Economics Minister Erhard (left) look on.

or even grants. And they promised to obligate funds quickly.

As expected, Bonn refused to commit itself to a long-term, continuing, government-financed aid program in advance of next year's crucial German elections. But U.S. officials have some hopes that the Germans eventually will come to this.

• **Military**—On the military side, the Germans agreed in principle to increase their contribution to financing NATO's communications, pipelines, ports, and other fixed facilities from the present 13% to some 20%. This should save the U.S. up to \$15-million a year.

In addition, an effort will be made to increase procurement of weapons by West Germany in the U.S. for German forces and for other Allied forces—notably in Greece and Turkey.

• **Trade and Debts**—Anderson and Dillon pressed the Germans, with some results, to liberalize trade policy on three fronts. The Bonn government has been pushing for a highly restrictive policy on agricultural imports within the European Economic Community. Now it apparently has agreed that any common EEC policy would be premature. It also has agreed to remove discriminatory restrictions on imports of U.S. poultry and canned fruits.

The Germans also offered to prepay some \$700-million worth of postwar debts immediately, to ease the short-term pressure on U.S. reserves—provided the U.S. returns some \$200-million in German assets seized during the war. This last would require Congressional action; the Administration opposes it.

• **Deliberate**—When it comes to assessing the rough tactics that Anderson used in Bonn, one thing is clear. They were employed deliberately.

Anderson did not expect the Germans would write a \$650-million check to pay for keeping U.S. troops in Germany. But he did want to dramatize his conviction that the economic resurgence of Western Europe and Japan, and of Germany in particular, has changed the basic structure of the Free World economy and financial system.

This means, Anderson feels, that it is no longer possible, let alone equitable, for the U.S. to continue financing such a large share of Free World defense and economic growth investments.

Anderson hammered on troop support costs as the most obvious and dramatic example of the need for a bigger German effort. But he made no specific proposals as to how this bill should be transferred to the Germans. He left it up to them to propose ways of shifting part of the burden. He feels the tentative proposals advanced by the Germans are a step in the right direction.

• **Results Count**—The Treasury feels that the shock treatment worked. West

German officials have been talking for two years about mounting a larger economic aid effort. But it was only when the Eisenhower Administration began taking drastic steps to cut overseas military spending that a concrete proposal was made. That proposal now has been considerably liberalized as a result of last week's plain talking.

German counterproposals were not rudely brushed aside. Negotiations designed to implement them will now go forward in Washington and Bonn, and

they will be discussed again at higher levels during the coming NATO conference.

• **Advance Warning**—The basic decision to present a stiff bill to Chancellor Adenauer was taken by Anderson and Eisenhower at Augusta two weeks ago. Subsequently Secy. of State Christian Herter, Dillon, and the German Ambassador were brought fully into the picture. Kennedy's adviser, Paul H. Nitze, was kept informed both before and after the trip.

Recruiting Business Talent

Kennedy aides scan the world of management for recruits to government service. Their aim: to duplicate the job that Sidney Weinberg did for Eisenhower eight years ago.

Top Kennedy aides are actively reaching out into business and industry this week in search of first-rate talent for all levels of government—and the recruits do not necessarily have to be Democrats.

Some 800 names have already been recommended by businessmen who were connected in some way with the campaign, particularly in the Businessmen-for-Kennedy organization. Many more will be sifted before the selections are made.

The chief people picker is R. Sargent Shriver, Jr. Shriver is assistant general manager of the Kennedy-owned Merchandise Mart in Chicago, and executive director of the Kennedy Foundation. He was a key man throughout the campaign in organizing professional groups and is married to Kennedy's sister, Eunice.

I. How to Recruit

Shriver is approaching his job of recruiting businessmen in very much the same manner that Sidney J. Weinberg, the New York investment banker, did for Dwight Eisenhower after the 1952 election. Weinberg had learned the technique when he recruited for Pres. Roosevelt during the defense mobilization of World War II and brought into Washington such executives as Donald M. Nelson and Charles E. Wilson of General Electric.

Shriver is drawing, obviously, in a large part from the roster of the National Committee of Business & Professional Men and Women for Kennedy-Johnson (BW-Oct. 8 '60, p. 29).

• **Knocking at Doors**—For the past two weeks Shriver has been calling business and industry leaders who were helpful in the campaign and asking them to recommend the most able people they know, regardless of whether they are interested in working for the govern-

ment. "If we see somebody that looks good, it's up to us to persuade him to come to work," says Shriver.

At this stage names are not being matched with jobs, and no job offers have been made. There is no specific list of jobs to be filled by businessmen. Instead, likely names are being filed with such notations as, "Good for Treasury or Commerce."

When Kennedy says, "Let's talk Treasury," Shriver wants to be ready with a dossier of qualified people who are interested and willing to take sub-Cabinet-level jobs.

Recommendations are also pouring in from state Democratic chairmen, city mayors, and other political channels. They are not hesitating to give the President their advice.

Campaign director Lawrence F. O'Brien, White House appointee Kenneth O'Donnell, and, of course, brother Robert F. Kennedy will help sift names from these sources, adding such helpful qualifications as: "Big help in Minnesota."

• **What Kind of Man**—What kind of people are they looking for? "Men who have proved in private industry that they have what it takes, and who have a strong sense of social responsibility," says Shriver. "They don't even have to be Democrats, as long as they are sympathetic to Kennedy's general program. We're not particularly looking for a guy with special knowledge for a particular job, at least not yet. A real good businessman might fit into the Labor Dept. as well as in the Pentagon. Right now we're getting the raw material together in manageable form. Of course, the Cabinet members are going to have some say too on who their assistants will be."

Kennedy is hoping to attract some company presidents and vice-presidents who will have to give up big salaries to work for a government salary of,

say, \$20,000 a year. But he is also looking for bright young men, whose careers might benefit substantially from a few years in government service.

II. Economic Issues

During the campaign Kennedy paid special court to businessmen, seeking not so much to get their votes as to assure them that on economic and fiscal issues he is no radical. He repeatedly pledged a balanced budget. Now that the campaign is over, business and industry leaders are saying they do not expect any great hardship for business from the Kennedy Administration (BW—Nov. 19'60, p42).

- **No Blitzkrieg**—The New York-New Jersey Region of The National Association of Manufacturers, in fact, has circulated a memorandum to members concluding that Kennedy "may turn out to be a very good President." In view of the narrow election margin and the strengthened GOP-Southern Democratic coalition, the NAM expects "no blitzkrieg of liberal legislation."

Coincidentally, Kennedy assistants are compiling replies to questionnaires sent out to businessmen early in the campaign asking what business problems they consider paramount.

Some 170 trade associations and hundreds of company executives were solicited. About 300 responded.

- **Priority List**—Number one on their priority lists is a general tax overhaul, "Change the cockeyed tax structure," one executive answered to all five questions. Small businesses emphasized accelerated tax write-off for money invested in capital equipment. They were also concerned with high interest rates and the difficulty of obtaining favorable loans. Strengthening of the small business investment loan program, and more liberal loans from the Small Business Administration were frequently mentioned.

Electronics firms and lumber companies complained strongly about foreign competition. Each business had specific complaints of its own, such as truckers who were interested in repeal of the 10% transportation tax.

Surprising interest was shown in aid to education. Small manufacturing plants particularly complained about the shortage of both skilled labor and qualified young men with executive potential. A chemical company plugged for development of water resources; a big retail chain stressed aid to city expressways and urban renewal to save downtown business districts.

Equally significant were the omissions. There were no complaints about the amount of paper work required by government agencies, and only a few expressed concern with inflation.



PRES.-ELECT KENNEDY confers with Pierre Salinger but keeps own counsel in . . .

The Cabinet Guessing Game

President-elect John F. Kennedy spent a busy week at his Georgetown home seeing dozens of visitors—mostly big Democrats from around the country, and mostly one at a time.

Mixing non-committal comments from Kennedy and his guests and hot inside information from other sources, newspaper reporters got out daily scoops on the only real story around:

Which Democrats would be placed in which of the scores of Cabinet and sub-Cabinet jobs waiting to receive them?

At midweek, it appeared that Kennedy might announce his first selections at any hour. One consideration reportedly on Kennedy's mind is that he wants his nominees to sign up for at least four years.

The names being juggled in the press include Sen. J. William Fulbright (D-Ark.), Rep. Chester Bowles (D-Conn.), Gov. Abraham A. Ribicoff, of Connecticut, Gov. G. Mennen Williams, of Michigan, C. Douglas Dillon, Under Secretary of State, Eugene R. Black, president of the World Bank.

- **Protocol**—Kennedy seemingly was taking the time to observe the political protocol of checking out his selections with the key Democrats. And he was getting a wide variety of advice and information:

- **AFL-CIO Vice-Pres.** Joseph D. Keenan said that he told Kennedy he should name a labor union official to the Labor Dept.

- The chairman-to-be of the powerful House Committee on Education & Labor—Rep. Adam Clayton Powell of New York—promised Kennedy he would try to get an aid-to-education bill and a minimum wage bill out of his committee during the first 30 to 60 days of the new Congress.

- Gov.-elect Terry Sanford of North Carolina brought a long list of Democrats he feels deserve jobs, including a couple qualified for ambassadorships. He also suggested that North Carolina patronage matters should clear through him—and not through outgoing Gov. Luther H. Hodges, who is a sure bet for a Cabinet job, probably Secretary of Commerce.



HENRY M. WRISTON, president emeritus of Brown University, headed year-long commission to identify national goals.



CRAWFORD GREENEWALT, du Pont president, questions one majority view. He urges tax reform to stimulate investment.



GEORGE MEANY, AFL-CIO chief, demurs on the opposite side. He says majority undervalues role of federal spending.

What Does the U.S. Want?

It has been almost two years since Pres. Eisenhower first proposed a study of national goals, to be conducted by a high-level commission of private citizens.

He got the study this week—and is probably just as content to leave it on the Presidential desk for John F. Kennedy to contemplate.

On balance, the tone of the report is clearly on the side of bigger government—how many billions bigger, the commission does not say.

The report warns of hard choices and heavy costs that lie ahead; it discusses the possibility of tax increases, forced savings, cuts in the standard of living, and harder work if we do not manage our affairs skillfully. On some of these latter points, George Meany (picture), president of AFL-CIO, scolds fellow commissioners for being overly pessimistic.

Kennedy may well make use of the brief 31-page report, as well as the book-length compilation of supporting material that will be published Dec. 12 under the title *Goals for Americans*. Kennedy will be asking Congress to vote more money for many of the programs that the commission also feels should be increased.

Disagree on Means—While the commission agreed on the need to expand government efforts—at least there were no dissenting comments on this point—a lively clash developed over how to keep the economy moving fast enough to pay the bills.

Crawford H. Greenewalt (picture), president of E. I. du Pont de Nemours & Co., charges other members of the

commission with failure to recognize the real problem in achieving adequate economic growth, particularly in the field of tax reform to stimulate investment. He has a backer in Colgate W. Darden, Jr., conservative former governor of Virginia and retired president of the University of Virginia.

I. Representative Group

Eisenhower was almost a year finding a man to head the commission. His choice finally was Henry M. Wriston (picture), educator, president of the American Assembly, and a long-time associate of Eisenhower in matters of public policy.

Three other educators joined Wriston and Darden on the commission: James B. Conant, former president of Harvard University; Clark Kerr, president of the University of California, and James R. Killian, Jr., former president and now chairman of the corporation at Massachusetts Institute of Technology. In 1957-59, Killian was in the White House as special assistant to Eisenhower for science and technology.

Besides Greenewalt, there was one other businessman on the commission—Frank Pace, Jr., chairman of General Dynamics Corp. Pace, a Democrat and former Secretary of the Army under Pres. Harry Truman, has been mentioned as a possibility for several Cabinet positions under Kennedy, including Treasury and Defense.

Erwin D. Canham, editor of the *Christian Science Monitor*, supplied a conservative voice. He was president

of the U.S. Chamber of Commerce last year. Retired Gen. Alfred M. Gruenther, an old comrade-in-arms of Eisenhower, now president of the Red Cross; Learned Hand, former judge of the U.S. Court of Appeals, and Meany rounded out the 11-man group.

II. Agree on Goals

The list of goals the commission feels should be sought through government action is impressive but there is no order of priority for the guidance of public officials. This may have been due to Eisenhower's original instructions: The commission was to include no government officials or politicians, and it should have as little as possible to do with government agencies in drawing up its report.

The result is that almost every program is presented as "necessary," "needed," or a "must." By implication, however, some such order of priority as this seems to lie behind the report: defense, education, research, urban renewal, and then the others in pretty much of a jumble.

Warnings, Too—There are some strictures along the way about spending. For example, U.S. space activities should be "highly selective" and not "merely spectacular"—which is Killian speaking in defense of the Eisenhower policy.

Government participation in the economy should be limited "to those instances where it is essential" and where "private individuals or organizations cannot adequately meet the need."

"There must be no ideological pref-

erence for public spending as such," the commission warns. But in the same paragraph it goes on to say: "The needs outlined in this report are themselves vitally related to ultimate freedom and individual development. We should not fail to meet them." And that is just about the case for more government spending that Kennedy will present to Congress next year.

III. Difference of Opinion

Disagreements begin as the commission approaches the bookkeeping.

Apparently to achieve unanimity, a section labeled A Financial Accounting sidesteps the question of costs. Federal, state, and local governments are now spending some \$135-billion a year, 27% of gross national product. "We cannot now determine whether this proportion" will be adequate in the 1960s, the commission sums up.

But it adds that the country faces "the prospect, though by no means the certainty" that tax rates will continue at something like their present level "and may even have to be increased."

- **Growth Rates**—The key—as viewed by the commission—is the rate of growth in the private sector of the economy. Stress is put on a 3.4% annual rate as achievable "without extraordinary stimulating measures," but a 5% annual rate is also mentioned as having support of competent experts.

Kerr and Killian argue that the commission should have clearly established 4% or 5% as a national goal, and Meany makes the same point in a separate statement.

Behind the commission's struggles on this point is apparently some such consensus as this:

- If growth is less than 3.4%, then we are likely to have higher tax rates, forced savings, and reduced private consumption to pay for government expansion.

- If growth is 3.4%, then present tax rates may—or may not—suffice, and private consumption may have to rise at a slower pace than in recent years.

- If growth should exceed 3.4% by any substantial amount, then both the government increases and private consumption increases can be accommodated without pain.

- **What About Taxes?**—Tax reform causes the sharpest break between the commission majority and its conservative members, with tariff policy a close second.

The report wrestles twice with taxes as a means of stimulating growth. In a section on economic growth, the commission advocates an overhaul of depreciation allowances as a means of stepping up investment. Particular attention is urged for policies that favor "completely new ventures which involve a

high degree of risk." The report does not say, however, what such policies should be. It adds that the problem of maintaining unemployment at a low point would be made easier if Congress would more readily raise and lower tax rates so as to counter shifts in the business cycle.

In its Financial Accounting section, the commission says substantial tax reform is essential. It suggests elimination of unjustified exceptions to general tax regulations, encouragement of risk capital accumulation, and correction of "contradictions and flaws" in the tax system.

- **Greenwalt View**—Greenwalt does not disagree with anything the report says, but he argues that it does not say enough.

"The growth rate will be influenced much more favorably by a given number of dollars invested in plant for a completely new product than the same dollars invested in, let us say, a model change," he argues.

But investment in new products is also high-risk investment. The way to find the funds for faster growth from "bold new discoveries," he adds, is to abate the steep progression in personal income tax rates. The present tax structure does not particularly hamper established corporations in finding capital, he says, but it hurts creative individuals, "today's Henry Fords or Thomas Edisons."

Greenwalt—again backed by Darden—believes the commission goes too far in recommending continued tariff reductions. He favors "maintenance of tariffs which will no more than compensate for existing wage differentials" between domestic and foreign industries. This would allow foreign competition "on a fair, competitive basis."

- **Meany View**—Meany's demurrer centers on two points:

- He does not like the idea that government-appointed officials from behind the Iron Curtain, particularly in the union labor field, are welcomed as non-government delegates in the free world. He says that there should be a clean distinction between free unionism of the West and Soviet-controlled unionism of the Russian and satellite areas.

- More importantly, Meany says the report "grudgingly" recognizes the role of the federal government in economic areas, particularly in the area of taxing in order to expand services to the people.

"Private initiative and incentive are important," he says. "State and local governments must [also] expand their roles to meet new needs. But the superior resources of the federal government must be more greatly utilized."

He criticizes the report for speaking firmly on goals "but only timidly on methods for attaining them."

Plutonium-Fueled...

... reactor is being tested at AEC plant. Question is: Can enough U-238 be converted to plutonium?

A reactor at the Atomic Energy Commission's Hanford (Wash.) works has started to fission in an operation that may decide whether uranium will be the promising source of electric power that it now appears to be.

The significance of the Hanford experiments hinges on the problem it is designed to solve. Natural uranium consists more than 99% of the nonfissionable isotope U-238. Only seven-tenths of 1% is of the fissionable isotope U-235. Unless some use can be made of the abundant U-238, there is unlikely to be enough U-235 to support many electric power plants.

Fortunately, the U-238 can be used. When U-235 is fissioned in its presence, some of the U-238 converts to fissionable plutonium.

- **Scientific Feat**—The Hanford reactor is the first civilian power reactor ever to use plutonium as a fuel—all existing plants depend only on U-235. When the Hanford operators figure that enough of the U-238 in the reactor has been converted to plutonium, this plutonium will be removed from the reactor, separated from impurities, and fed back to the reactor as fuel. If it works, more than scientific feasibility will be proved. Hanford is keeping track of the costs of each step so that it can tell the electric power industry the economics of the operation.

Since the Hanford operation is an experiment, it will generate no electricity. But it will produce a maximum of 70,000 kw. of heat at peak operation. This is roughly equivalent to about 20,000 kw. of electric power. If the experiments are successful, the costs are likely to be astronomical—but later designs should prove more economical.

Hanford is operated for AEC by General Electric Co.; the plutonium test reactor is cooled by heavy water.

- **Trouble in Chicago**—Meanwhile, Commonwealth Edison Co.'s 180-mw. boiling water nuclear power reactor at its Dresden power plant near Joliet, Ill., was closed for the second time due to a jammed control rod (BW—Dec. 5 '57, p. 57). Power from the GE reactor is fed into Commonwealth's grid, which feeds Chicago and surrounding area. Dresden's trouble occurred just 10 days before the Dresden 40-year operating license was to become final. AEC is holding back the final operating permit pending a review of the nature of the mechanical difficulty in the reactor



Nippy Air

Merchants in many parts of the country this week are as relieved as so many little kids who had thought they would never see the first snowfall of the season. The sharp change in the unseasonable (read: pleasant) weather that has prevailed for several weeks may be just what is needed to set off a Christmas sales spurt.

Up to now, retailers have been watching the skies, employment figures, the calendar—and hoping. Much more warm weather would have pointed to a pretty lackadaisical Yuletide.

If the hopes of the retailers are fulfilled, then this Christmas season will at least match 1959's—and it is quite possible that another record year will be marked up to beat last year's \$215.4-billion sales volume.

• **The Range**—Actually, there's a wide variety of opinions about just how much better—if any better at all—the Christmas season will be compared to last year's record pace. Estimates range from a gain of about 5% (the optimists) to a loss of 10% below 1959 (the disgruntled pessimists who say: "It's the recession that Mr. Nixon said we didn't have").

But almost all the merchants who talked with BUSINESS WEEK reporters after Thanksgiving's official opening of



Macy's parade, New York's perennial harbinger of Christmas, delights swarms of children—not to men-

Perks Retailers' Hopes for Yule

the season agreed with an Oklahoma City store manager: "It's going to be a very tough Christmas."

I. Sticky-Fingered Buyers

The weather—good or bad—is a common complaint of retailers searching for answers to why sales aren't so good as they might be. This time, though, it is almost unanimous around the country that it has been too nice a fall for consumers to get excited about Christmas at this stage. From North and South, winter clothing has become a drag on the whole retail sales picture. Even Florida, enjoying a balmy 80-degree fall, is complaining that a little colder weather would get the residents off the beaches and into the stores.

In Pittsburgh, a low-to-medium price clothing chain calls November disastrous. It has started a sales manager's contest (the payoff: beat last year) on the theory: "If we are going down, we are going down fighting."

The uninspired buying to date isn't all attributable to the weather. The consumer himself, say the merchants, has become cagey (BW—Nov. 19'60, p128). Some think he just doesn't have the money—despite higher over-all personal income figures—to spend wildly.

Others think that a steady rate of bill collections indicates no lack of money or credit, but that consumers want to be careful how they spend.

In fact, throughout the retailer talks with BUSINESS WEEK one description of the consumers stood out: quality-mindedness. Price naturally has something to do with it. But a St. Louis retailer was surprised to find some customers asking for commercial washer-driers. "They seemed willing to pay the higher price," he said, "figuring the equipment would last longer with fewer repairs."

Strangely enough, the post-Thanksgiving weekend crowds were reported at record levels in some cities—St. Louis, Rochester, Detroit. But, with the weather balmy, there was far less buying than there should have been. A Chicago merchant put it this way: "That's the regular Thanksgiving holiday pattern. Just salmon coming upstream to spawn. Mamma bringing Junior down to look around while school's out."

A last minute rush isn't out of the question. "We'd better have one," said a Midwest retailer, "or we will really be in trouble." Hopes for a better than usual rush are based partly on the fact that this year there are two extra shopping days before Christmas (including a final Saturday Christmas Eve).

Economic conditions are playing a major part—just as much as weather and a still unexcited consumer—in the buying trends. You spot this by taking area-by-area samples. In Seattle, for instance, where there isn't even much hope for a last minute rush, merchants cite sharp lumber production cuts and earlier aircraft layoffs as factors working against them. In St. Louis, scattered industrial layoffs and shorter hours are blamed. Dallas, too, reports the continued slump in oil is affecting the attitude of the oilmen.

On the other hand, Denver reports high hopes for big Yule sales with employment up, major promotions pulling crowds, and a general feeling of prosperity abounding.

For the country as a whole, a Dallas merchant is closer to the general expectation of how it will all turn out: "Almost every year, we say we expect to do better. This year we must honestly say that we hope only to do as well as last—but, then, that was a bellringer so it's not too bad a mark to shoot at."

II. What's Selling

With the buying pace still unsettled, there is little for merchants to use as a guide to what will be selling the hot-



tion their parents, a cop, and even an occasional long-suffering streetcleaner.

test. Right now about the only thing stores are sure of: "Appliances are lousy." They have been for some time. Even television, which held up well until early fall, has become a cropper. Electric can openers are doing well in St. Louis, though. "I guess," said a retailer, "it is the only thing everybody doesn't have."

The chief pattern, said the Illinois Retail Merchants Assn., is this: "It is the most traditional Christmas we've seen in years." City after city reports first floor departments—accessories and the like—doing best.

Almost everywhere quality gets the nod. A big Boston store has completely changed its pattern of merchandising to meet this. It is promoting quality and elegance on the basis that by pushing price alone "you can promote yourself right out of business."

Imports—not necessarily cheap—are catching consumers' eyes. There are more high fashion children's clothing—TV lounge outfits—being sold this year, too. When people buy furs, they buy good pieces. I. Magnin's in San Francisco lists a \$45,000 sable and an \$11,000 diamond ring and expects to sell them.

Despite customers' insistence on quality at the right price, discounting has sprung up in various parts of the country to haunt standard retailers. Detroit reports an influx of here-today-gone-Dec. 26 outlets that are giving them a beating. Houston, too, is hit by a new batch of discounters.

Just about everywhere toys are being discounted, too. One town reported a brand name toy advertised at three different prices by three different stores with a price spread of \$5. Retailers complain that toy manufacturers haven't come up with anything particularly hot this year.

III. No Panic

That retailers aren't any more glum than they are in their guesses on how the year will turn out can be attributed to the generally favorable inventory positions. Nobody was afraid that he would be caught over a barrel (though winter clothes are dragging a bit), simply because stores have been adjusting to the slower sales all year. "Of course," said a Chicago retailer, "we could be all wrong or all right depending on what happens in the next couple of weeks." But even where some goods are a little more than ample, goods on order are being held down—as much as 20%.

In fact, retailers say that manufacturers have been curtailing production to the point where, if there is a real burst of buying by the public, the scramble for last minute merchandise will be hectic.

Antitrust Defendants

Electrical equipment makers, except for one, are switching to guilty or no contest pleas in government's big price collusion cases. But in giving up this fight, they may avoid many private damage suits.

The table below shows how the defendants have pleaded. Separate indictments covered 20 products. In the table, "G" indicates a guilty plea; "N" not guilty; "O" nolo contendere or no contest; "Y" not yet pleaded; "W" say they will plead guilty.

	WESTINGHOUSE GENERAL ELECTRIC CORP.	ALLIS-CHALMERS ELECTRIC CO.	I-T-E CIRCUIT BREAKER CO.	FEDERAL PACIFIC BREAKER CO.	LAPP INSULATOR ELEC. CO.	PORCELAIN INSULATOR CO., INC.	A. B. CHANCE CORP.	H. K. PORTER CO., INC.	MCGRAW-EDISON CORP.	SOUTHERN STATES JOSLYN MFG. & SUPPLY CO.	HUBBARD & CO.	SCHWAGER-WOOD CORP.
POWER SWITCHGEAR	W	W	G	G	G							
CIRCUIT BREAKERS	W	W	G	O	O							
LOW-VOLTAGE CIRCUIT BREAKERS	N	N		N								
INSULATORS		N		N		N	N	N	N	N	N	
LIGHTNING ARRESTERS	N	N				N				N	N	N
OPEN-FUSE CUTOUPS	N	N		N				N	N		N	N
BUSHINGS	N	N				N	N					
POWER SWITCHING EQUIP.	W	W		G	G					G		O
MARINE SWITCHGEAR	N	N		N								
ISOLATED PHASE BUS	N	N		N						N		
POWER TRANSFORMERS	W	W	G						G			
DISTRIBUTION TRANSFORMERS	N	N	G						N			
NETWORK TRANSFORMERS	N	N	G						N			
INSTRUMENT TRANSFORMERS	N	N	G									
INDUS. CONTROL EQUIP.	W	W										
LOW-VOLTAGE DIST. EQUIP.	N	N		N	N							
CONDENSERS	W		G									
TURBINE-GENERATORS	W	W	G									
POWER CAPACITORS	Y	Y				Y				Y		
WATT-HOUR METERS	Y	Y										

Quit—but Gain a Legal Crumb

The electrical equipment manufacturing industry has thrown in the sponge in its antitrust fight with the Justice Dept. All but one of the 29 companies indicted on price fixing and bid rigging charges have either pleaded guilty or nolo contendere—no contest—or have indicated that they intend to do so (table).

The court battle was set off last February when a federal grand jury in Philadelphia indicted 14 companies and 18 individuals on charges dealing with sales of switchgear assemblies and circuit breakers. Through the spring and summer indictment followed indictment,

until virtually the entire electrical equipment industry was involved in charges concerning almost every type of power generation and distribution equipment.

• **Not Empty-Handed**—In giving up the fight, the industry is not walking out of the U.S. District Court in Philadelphia empty-handed. General Electric Co., Westinghouse Electric Corp., and other companies are prepared to plead guilty in seven of the 20 cases brought against them by Justice.

But the government will not oppose nolo contendere pleas in the other 13—making it almost certain that the judge will allow such pleas. Moreover, Jus-

tice will not insist that the companies admit they have violated the antitrust laws when they plead nolo, as it did in a recent suit against asphalt producers (BW—Oct. 29 '60, p. 32).

This will make it difficult indeed for customers of the companies to collect damages over purchases of these 13 products. The nolo pleas mean the defendants neither admit nor deny the charges. Thus, a would-be collector of damages would have to prove the companies had violated the law, as well as proving that he had been damaged by the violation.

• **Small Consolation**—This was relatively small consolation to the companies, however. The 20 alleged violations involve total industry sales of nearly \$2-billion. The seven cases in which the Justice Dept. is fighting nolo pleas cover annual sales of \$1.1-billion—well over half the total sales volume covered by the 20 cases.

So guilty pleas conceivably could let the companies involved in these seven cases in for billions of dollars in damage suits, since the complaints cover periods of several years.

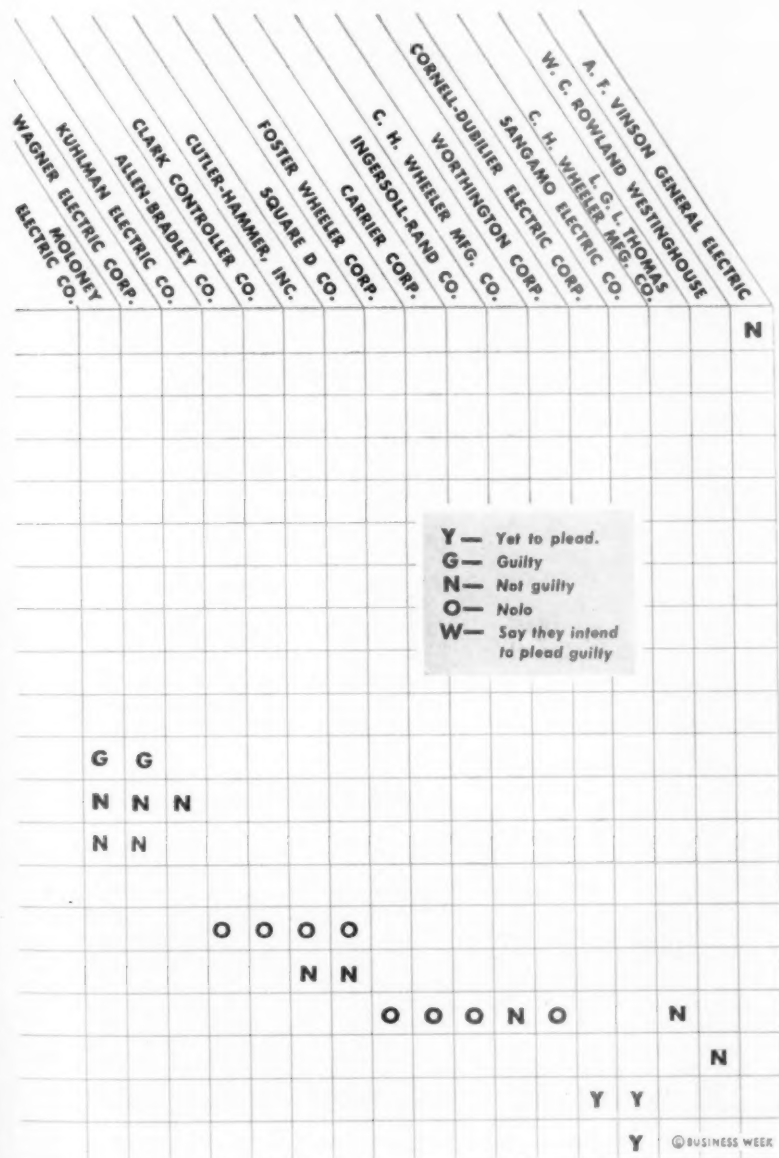
• **Why Companies Yield**—Why did the companies cave in then in the face of such a prospect? In the first place, only some federal agencies, such as the Tennessee Valley Authority or the Defense Dept., and perhaps some municipalities, are likely to sue. At that, proving damages always is difficult in cases where prices of products have gone down as well as up, as has been the case with prices of some of the electrical equipment involved.

It is unlikely that privately owned utility companies will file damage suits. The utility companies traditionally maintain amicable relations with their equipment suppliers.

Another important reason for avoiding a prolonged court fight is the desire of the industry not to wash its linen in public. In particular, GE and Westinghouse, both of which produce consumer goods as well as industrial equipment, want to avoid a court battle. Even if they won every case in court, the government's detailed charges of price fixing and bid rigging conceivably could turn public opinion against them and hurt their sales of consumer goods.

• ... And Justice, Too—Justice refuses to admit that it has backed away from its original position of fighting all attempts to plead nolo contendere. It says it never intended to fight nolo pleas in all cases. But this simply will not wash.

There probably were a number of reasons for its change of stance on nolo



pleas. First, there was always the chance that a jury might find the defendants not guilty in one or more of the cases. Again, it has not backed down very much. It is demanding guilty pleas or trials in the seven cases of most interest to federal and municipal agencies. The products involved in the seven cases are large, expensive items such as generators and transformers, which TVA and municipal utilities must buy at frequent intervals.

Another possible reason for the government's change of heart on nolo pleas is that it may have awakened to the fact that successful damage suits against some of the smaller defendant companies might put them out of business. This would result in less competition in the industry—just the opposite of what Justice is seeking.

- **Detailed**—Almost from the time the first indictment was filed against the industry early this year informed sources were predicting the cases would never get to trial. The indictments, replete with details of meetings to fix prices and allocate bids among the companies, made it clear that antitrust attorney William L. Maher, who headed the preliminary investigations, had what appeared to be fairly strong cases against the companies involved.

The proceedings already have cost the companies no small penny. As many as 70 attorneys showed up for several of the hearings. Among the more notable was former Atty. Gen. Herbert Brownell, who appeared as a legal consultant to counsel for Westinghouse.

The companies and the 53 of their employees who were indicted are likely to receive stiff fines even if their nolo pleas are allowed. Judge J. Cullen Ganey said he would deal as harshly with nolo pleaders as with those who plead guilty or are convicted.

As one attorney put it, the companies had "had it" when Allis-Chalmers Mfg. Co. pleaded guilty to each of the eight charges brought against it.

"You can't have a conspiracy involving only one party," the attorney said. "In cases like this, everyone pleads not guilty or the cause is lost."

- **Unhappiest**—Perhaps the unhappiest company involved is Carrier Corp. Carrier bought a company that does a small business in condensers just in time to get involved in the antitrust proceedings. A Carrier attorney said the company had stuck with the former management of its subsidiary until October, 1958, and had very little knowledge about the electrical equipment industry.

Attorneys for several individual defendants pleaded their clients were "organization men," who broke the law in order to keep their jobs—they would have been fired otherwise.

How Polls Helped Candidates

Applying marketing-research techniques to politics, both candidates used polls in choosing campaign tactics. Now pollsters want to find out why the election went the way it did.

The 1960 election will be footnoted in history for three things. It featured the first televised debates, it turned out to be one of the closest decisions on record, and it was certainly the most thoroughly polled election ever held. This week, the recounts and the canvasses seem to be running out of steam, and the TV cameras have turned to look in other directions. But the pollsters are still at it.

I. Pollster Potpourri

The narrowly victorious Kennedy camp has commissioned his personally hired polling organization, Louis Harris & Associates, Inc., to conduct a thorough-going analysis of why he won and how.

Nor have the Republicans retired to lick their wounds in private. The Republican National Committee's pollster during the campaign, Dr. Claude Robinson, is directing a program of reinterviewing all those questioned during the campaign both to discover if they voted as they said they would, and to find out why they voted as they did. In addition, Robinson will present some recommendations for basic revisions of Republican strategy, and will run a special study of the effectiveness of Nixon's day-before-election telethon.

- **Something New**—At the University of Michigan's Survey Research Center, political scientists will be studying polling and the election with the aid of a \$206,800 grant from the Rockefeller Foundation. This generous budget enables the Center to do something new in the way of political research—to reinterview the same good-sized sample group it questioned in the 1956 and 1958 election.

The study will analyze shifts in allegiance in this year's election. It will also cover a whole range of other information such as where these people get their political information, whether they vote the party line or split ballots, and their political knowledge and opinions on a variety of issues. It will even seek correlations between political behavior and personality types, asking its sample members questions such as, "Do you feel that you are the kind of person who gets his share of bad luck or do you feel that you have mostly good luck?"

- **High Marks**—Generally, the pollsters earned exceptionally high marks for

their predictions in this election. The syndicated or public pollsters agreed that the outcome would be a photo-finish in terms of popular votes. Elmo Roper picked Nixon by a hair, George Gallup selected Kennedy by a tiny margin. Despite their divergence on the identity of the winner, both men figured on close to a 50-50 split in popular votes and set a new mark for accuracy in predicting the vote split in a Presidential election.

- **Giant Brains**—The only predictors who suffered from the outcome were the giant electronic brains working for the TV networks. In previous elections the nets had refused to announce the early predictions of the computers. But as the later returns came in, these early predictions turned out amazingly accurate.

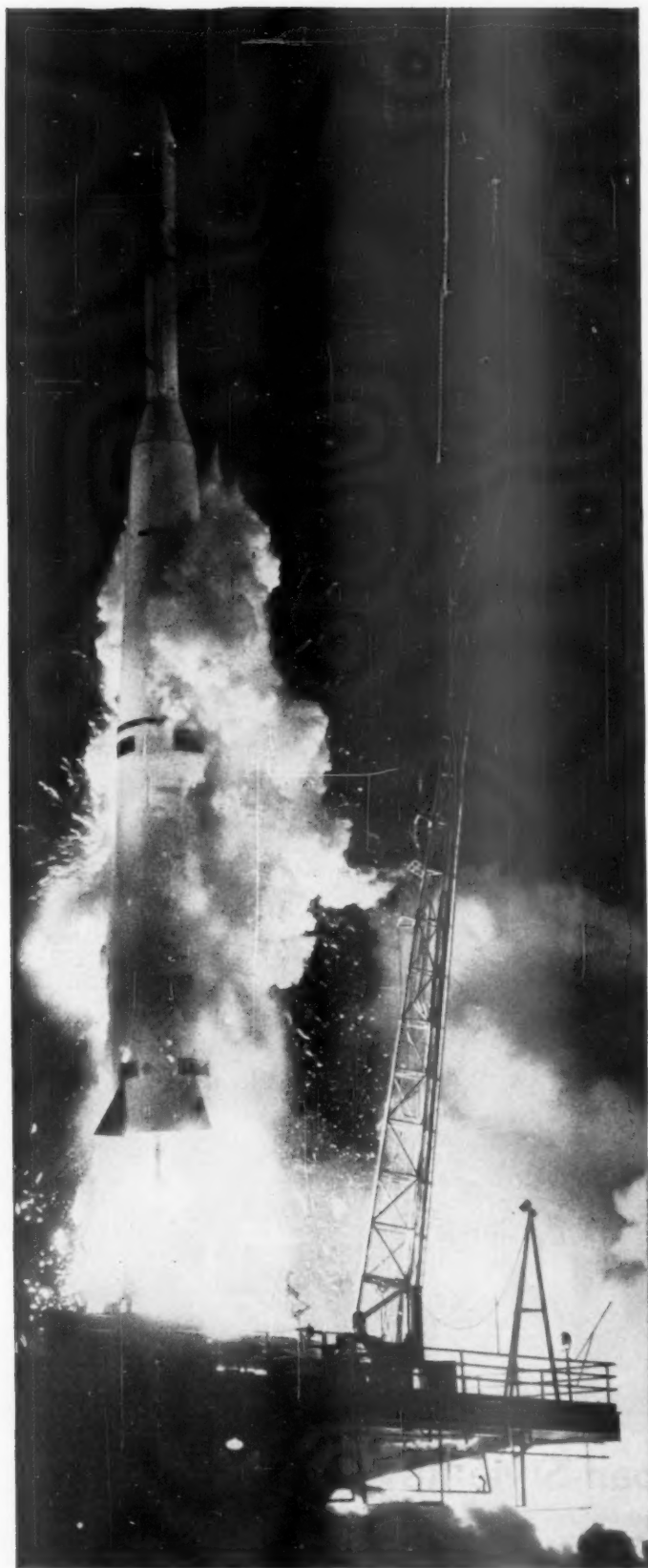
This election, therefore, the computers got caught in the midst of a network race to be first on the air with a prediction (BW—Nov. 12 '60, p133). On the basis of fragmentary returns fed into the machines, two of the nets went on the air with predictions that Nixon would be the eventual winner. However, by about 7:45 p.m. EST they were all offering long odds on Kennedy's election.

Probably the most important polling took place behind the public scenes, with the private pollsters operating as virtual G-2 units for the candidates. This election saw the full application of business-tested marketing-research techniques to politics (BW—Mar. 26 '60, p29). Says the Republican's pollster, Claude Robinson, "This election showed that there is no essential difference between the merchandising of politics and the merchandising of products."

II. Republican's Program

Robinson directed a research program for the Republicans that would have cost them in excess of a quarter of a million dollars if purchased commercially. (Robinson donated his own services and farmed out much of the field work and tabulating to Opinion Research Corp., which he founded, and other research organizations.)

Starting work right after the conventions, he first sought to identify the public images of the candidates and to find the most fruitful ways of presenting the issues. Here he relied mainly on



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projective or motivational techniques to probe the voters' minds. These initial tests turned up important tactical clues. Example: the futility of attacking Kennedy as a rich man—people just didn't seem to care.

Robinson is quick to emphasize that he never attempted to affect basic policy decisions, but stuck to advising the candidate on how best to present the chosen issues. He comments: "You can't build a synthetic candidate the way you can a product." However, he credits Nixon with unusual sensitivity to the public mood. "The Vice-President has a remarkable set of antennae . . . his pores are open all the time."

• **Microcosm**—Robinson considers his major contribution to have been the construction of a miniature model of the electorate—a sample design of some 3,500 people who reflected the final turnout of voters with surprising accuracy. His interviewers polled this sample every week and a report on the results was in the Republican National Committee's hands one week later. He didn't poll in each state, but hit key states in each section of the country which seemed representative of that region's voting pattern. Says Robinson, "If you find out what Kansas is doing, you know about Nebraska and Iowa as well."

The results of these weekly polls were used primarily to help set up an itinerary for the candidates. Toward the end of the campaign, for example, Robinson suggested that the Republicans hit the fence-sitting states: Michigan, Ohio, Pennsylvania, New Jersey, Illinois. Says Robinson, "We advised against trying for New York; it looked like it was pretty far over the dam."

Robinson agrees that there was a

large undecided vote in this election—about 21% of the eventual voters—but this figure tended to remain constant throughout the election, and the net changes in the undecided voters' leanings toward one candidate or the other tended to balance out. The one exception was the Negro vote, which migrated steadily toward Kennedy during the election, apparently because of economic conditions.

• **TV Debates**—Robinson also concurs with most observers in calling the TV debates a crucial event in the campaign. He comments: "The debates didn't change many votes, but they did activate a lot of Democratic partisans who didn't care much about the election before then. In their eyes, Jack grew up on TV."

This matter of activating Democratic partisans poses the key problem for the Republicans in Robinson's opinion. He believes that this campaign's research shows few voters switched party preference. He will recommend that Republicans devote most of their funds to a more even year-round effort aimed at selling the party to the people and ridding it of the "party of privilege" image.

III. Kennedy's Surveys

Louis Harris & Associates, Inc., operated somewhat differently for Sen. Kennedy. They advised him from the start of the primary campaigns, and it was Harris who tested out West Virginia and declared it a good proving ground for showing Kennedy could run well in a predominantly Protestant state.

In the Presidential campaign itself Harris' staff conducted three waves of surveys. In the first, undertaken right

after Labor Day, they checked almost every state in the union.

• **Religious Issue**—In these initial surveys they stressed the religious issue. Harris' interviewers carefully encouraged the people interviewed to speak freely about their prejudices by asking deliberately loaded questions about religion. In some states they discovered more than a 50% incidence of anti-Catholic feeling. All states where they encountered a high degree of religious prejudice were written off from the start.

• **Mapping the Route**—Harris' main function, like Robinson's, was to help map out the campaign route. This work became a pinpointing proposition. For instance, Harris suggested that Kennedy revise his Connecticut itinerary on the day before election to include a stop at Bridgeport, where his polling showed a falloff of strength in this traditional Democratic stronghold.

The President-elect showed an awareness of the importance of the TV debates, by ordering special polls to be taken after each encounter. Harris came back with some highly specific advice, which Kennedy followed, about changing his mannerisms and slowing down his delivery.

While the pollsters naturally concentrated on the highly practical question of how their candidates were doing in the election at hand, their research contains clues for the future. Harris commented early that the Catholic vote would polarize around Kennedy in this election because most Catholics were acutely aware that no one of their faith had ever been elected President. But he also predicted that this effect will probably disappear once a Catholic had been elected.

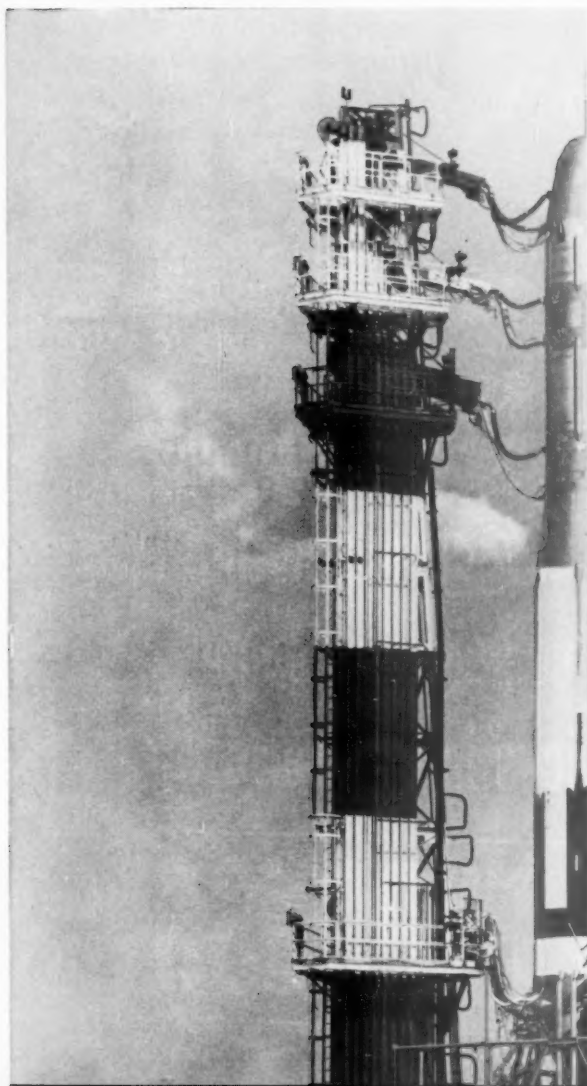


Latin Leftists Try for Cuban-Style Revolt

Inspired by the example of the Cuban Revolution, left-wingers in Venezuela and Guatemala have been trying to overthrow their governments. This

week, adherents to "Fidelism" (page 87) rioted in the streets of Caracas (picture, left) in the latest demonstration against Pres. Romulo Betancourt. In

Guatemala, government troops discovered a cache of Czech arms (picture, right) sent to rebels from Cuba. The government put down the rebellion.



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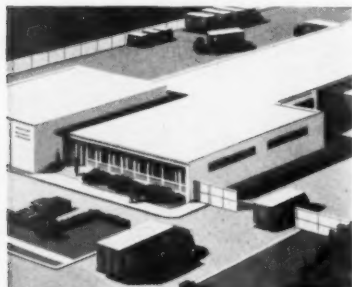
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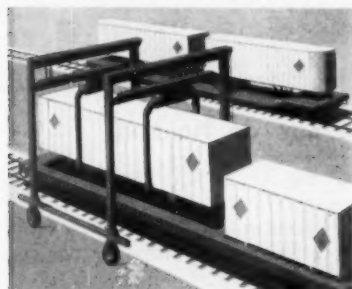
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Congress Group Asks Businessmen For Views on Renegotiation Act

Businessmen have been asked to submit written comments on various facets of the Renegotiation Act by Dec. 15 to the Joint Committee on Internal Revenue Taxation. The invitation was issued only in a press announcement; comment should be sent to Colin F. Stam, staff chief of the committee.

Once the comments have been digested, the committee staff will set up interviews for industry representatives. In setting up the study, Congress ordered that it be finished by next Mar. 31. The study stems from numerous complaints, particularly from the aircraft industry, about procedures for renegotiating defense contracts to recapture "excessive" profits.

• • •

Canadian Rail Strike Threat Dropped As Diefenbaker Moves to Outlaw It

Plans for a Canada-wide strike by 111,000 non-operating railway workers scheduled for Saturday screeched to a halt early this week. The Canadian Pacific and Canadian National Systems immediately cancelled the embargo on long haul and perishable shipments imposed during the weekend and called back repair shop employees laid off in preparation for the strike.

The 15 unions involved called off the walkout after Prime Minister John Diefenbaker introduced a maintenance-of-operations act outlawing the strike and freezing wages for six months.

Under the act, wages will remain frozen until May 15, when a royal commission on transportation problems is due to make its final recommendations, unless the railways and the unions reach an agreement beforehand.

• • •

CAB Reiterates Claim It Can Order Airlines to Beef Up "Inadequate" Service

The Civil Aeronautics Board has now reaffirmed its insistence that it can order an airline to provide more flights to a city where service is found to be inadequate. Airlines had asked CAB to reconsider, calling the decision an invasion of management prerogatives (BW—Oct. 8'60,p54). CAB also claims the power to specify whether the flights should be non-stop, day or night, first class or coach, jet or piston engines.

CAB took this position in ordering six airlines—Capital, Eastern, National, Northeast, Northwest, and TWA—either to provide service for the first time or additional flights to and from Baltimore. Airlines may challenge the decision in court; they view it as an open invitation for almost every city to complain that its air service is insufficient.

Airline passengers will get lower trip insurance rates if the nation's commercial airports follow the pattern set by Washington's National Airport. The Federal Aviation Agency, which controls the field, earlier refused to renew insurance concessions until the possibility of lower rates was explored. Now the agency has signed a contract under which premium rates for standard domestic air trip insurance are calculated at 2.5¢ per \$1,000 of coverage instead of the present 3.5¢.

• • •

McGraw-Hill Announces Negotiations To Acquire F. W. Dodge Corp.

McGraw-Hill Publishing Co., Inc., announced this week that negotiations are far advanced for the acquisition of the F. W. Dodge Corp. Subject to completion of details and final confirmation, McGraw-Hill expects to issue common and preferred stock to exchange for F. W. Dodge shares.

Headquarters of the F. W. Dodge publishing enterprises are in New York. Its principal properties are Dodge Reports, a daily news service on construction, Dodge Construction Statistical Service, and Sweet's Catalog Service, which lists manufacturers' products. It also publishes the monthly Architectural Record, and three newspapers—the Daily Pacific Builder (San Francisco), The Daily Journal (Denver), and Daily Construction News (Chicago). A subsidiary publishes The Modern Hospital, The Hospital Purchasing File, The Nation's Schools, and College & University Business.

McGraw-Hill plans to operate F. W. Dodge in its present form, with the same staff.

• • •

Alexander Urges Ban on Holding Of Gold Abroad by U.S. Citizens

Henry C. Alexander, chairman of Morgan Guaranty Trust Co. of New York and a possibility for Secretary of the Treasury in the Kennedy Cabinet, this week put his prestige behind a number of controversial ideas on monetary policy. Speaking at the annual meeting of the Investment Bankers Assn. in Hollywood Beach, Fla. Alexander recommended:

- Extension of the ban on the holding of gold here by U.S. citizens to their holding gold abroad.

- Continuation of the Treasury policy of limiting the buying and selling of gold to official monetary purposes. Alexander opposes sending gold abroad to combat speculation in gold markets where, he says, it is drained off into uneconomic hoarding and further speculation.

- Repeal of the requirement that notes and deposits of the Federal Reserve System be backed by a minimum 25% reserve in gold. Alexander said that a healthy economy and sound money stem not from gold reserves, but from efficient production, the prudent granting of credit, and disciplined debt management.

- Raising of the ceiling imposed by the Fed on interest rates paid by U.S. banks to foreign depositors. The maximum rate on time deposits is now 3%.

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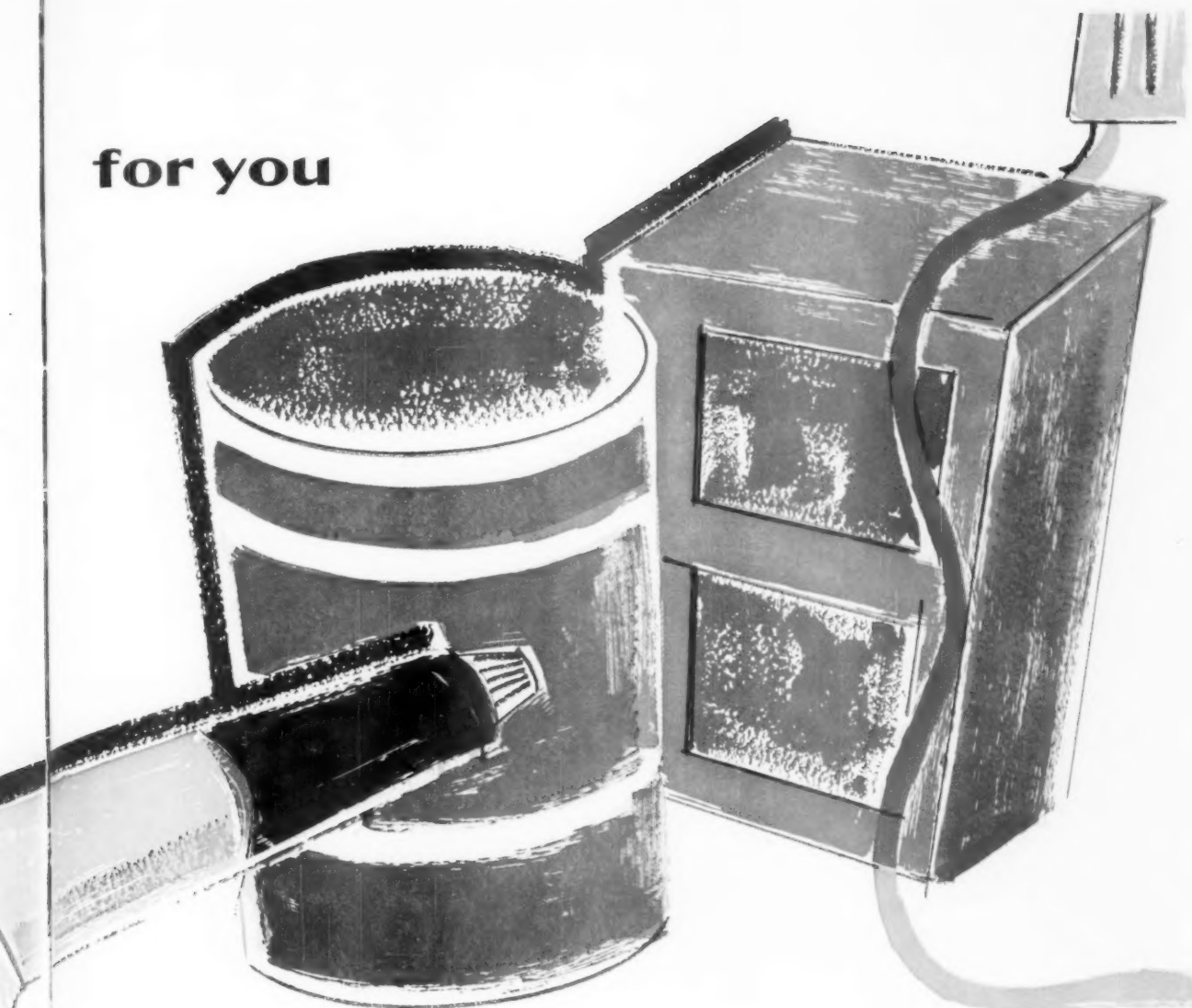
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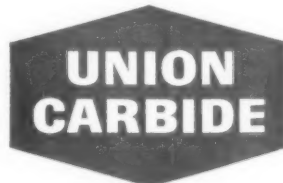
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
DEC. 3, 1960



President-elect Kennedy moves slowly, cautiously, to shape a government. It is a curious—or, at least, an unfamiliar—pace that Kennedy and the energetic young men around him have been setting since election.

The absence of a dramatic take-over is worrying some partisans. They had had visions of the vigorous men of the nominating fight and the campaign making clear at once that they would now be in charge. Washington recalled the assertive way in which the Eisenhower enthusiasts made plain after November, 1952, that the "team" was coming to town. What is curious is the mood the Kennedy camp is creating.

There are a variety of reasons the Kennedy entourage—which thrived the past two years on perpetual motion and intellectual ferment—has settled into what seems a plodding, even hesitant, period.

Kennedy's Cabinet will be different in character from Eisenhower's. Eisenhower turned mainly to business for his Cabinet members. The Kennedy Cabinet will be more political—that is, it will be filled with veterans of the legislative process who can move with a minimum of hesitation once the formal power of government passes to them on Jan. 20.

That is one reason Kennedy has exhibited no sense of urgency in announcing his choices. There are some others:

Kennedy is seeking broadest possible support for his cabinet, although some bruised feelings are inevitable once he makes known his choices.

The Secretary of State post gives him greatest concern. Since the election, he has met separately with Dean Acheson, Adlai E. Stevenson, and Chester Bowles, the Democrats' three top foreign policy experts. Each of them has different ideas, and each has a substantial following in the party.

While soliciting their views, Kennedy also has been seeking pledges of their support for the crucial period just ahead.

Kennedy also seeks to allay fears that he is a political radical. The biggest step in this direction thus far came this week. Kennedy confirmed that he intends to give a high place in his Administration to Gov. Luther H. Hodges of North Carolina, a moderate Southerner with a business background (Marshall Field & Co.).

One more reason for Kennedy's seeming lack of urgency:

His domestic legislative program is fairly well defined. The one major exception is a farm program. The monolithic system of federal controls on agriculture that Kennedy proposed during the campaign will probably get a quiet, unceremonious burial. What he will come up with as an alternative is, as of now, anybody's guess.

By and large, however, the Cabinet will be spared most of the time-consuming demands of drafting an entire new national program.

The Kennedy camp's answer to critics who insist that the President-elect should have appointed his Cabinet and put it to work by now comes down to this: By taking time now, a lot of problems that might mar the early months of the new Administration may be avoided.

What is happening is not spectacular, or even hard-driving in the same sense that the Presidential campaign was. But such key Kennedy aides as Theodore C. Sorensen and Myer Feldman are working longer hours than ever before, and the word is that Kennedy himself feels things are taking shape in a satisfactory fashion.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
DEC. 3, 1960

There is some grumbling, to be sure.

Many liberals feel that Kennedy is "slipping away" from them, trying for too many accommodations with conservative Democrats. So far, this kind of talk is in low key. But it probably will get noisy if, for example, Stevenson is not appointed Secretary of State.

Democratic job seekers are getting nervous. They are being told little or nothing. Indeed, it appears that Kennedy thus far has, personally, paid virtually no attention to choosing the several hundred Democrats he will install in sub-Cabinet and agency jobs around the town. But recruiting is going on, to be ready when he turns to that (pages 26 and 27).

The idea of a broad tax reform package in 1961 seems about dead.

Chmn. Wilbur D. Mills of the House Ways & Means Committee appears to have given up the concept after presiding last winter over the most exhaustive tax hearings in Congressional history (BW—Jan. 9'60, p29).

The tipoff: There will be no published staff report recommending new legislation or even summarizing the views of the fourscore of experts who testified before the committee. The theme developed in the hearings was that repeal of special exemptions, deductions, and the like, could pave the way for lowering tax rates by as much as one-third.

Demands for piecemeal tax relief will spring up in Congress. The Mills committee's hearings and the prospect of a single-package reform bill in 1961 were used last year to stall several proposals. They will be around again next year. One proposal that looks stronger than ever: relief for self-employed persons who want to set up private retirement programs.

A new fight is brewing about postal rates.

The postal deficit nears a billion-dollar annual rate. Congress added \$240-million to the deficit last summer when it overrode Eisenhower's veto to enact a pay raise bill for postal workers. The deficit jumped another \$35-million last week when the Interstate Commerce Commission raised payments to major railroads for hauling the mail.

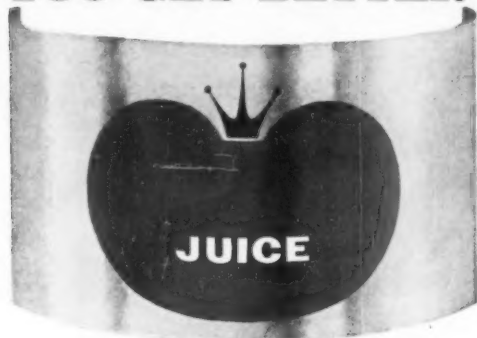
The latest Post Office Dept. estimate is for an \$888-million deficit during the current fiscal year, which ends in June. Last fiscal year, the department ran in the red by \$634-million.

Eisenhower will ask Congress to raise the rates in his budget message. Congress turned him down last year on a similar request. What happens next year could depend heavily upon President-elect Kennedy, who has declined to commit himself either for or against a rate rise.

Vice-Pres. Nixon eyes the California governorship, but warily. Some of his enthusiasts in the state are telling him he can win as governor in 1962, and that such a victory would clinch the GOP Presidential nomination for him again in 1964—if he wants it.

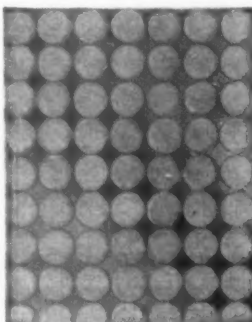
Nixon is in no hurry to make a decision. Defeat in the governor's race could finish him, politically. In the end, his decision probably will turn on whether GOP factionalism in California is likely to spring up again. If it seems so, Nixon won't run, for a feuding Republican Party in the state would face almost certain disaster at the polls—as in 1958.

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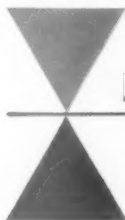
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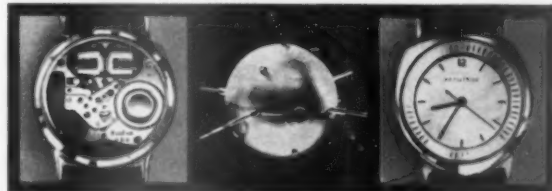
The secret of its microsonic accuracy? A high-precision tuning fork takes the place of the springs, balance wheel, and many other moving parts. (No conventional or electric watch operates without a

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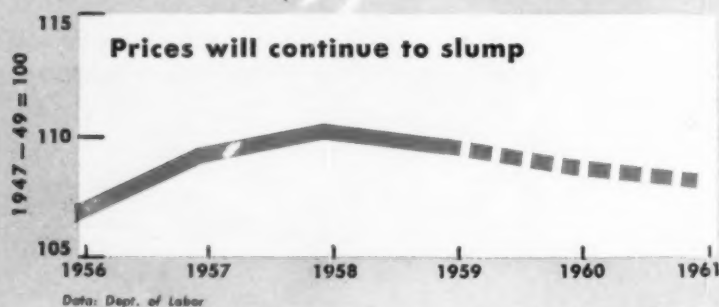
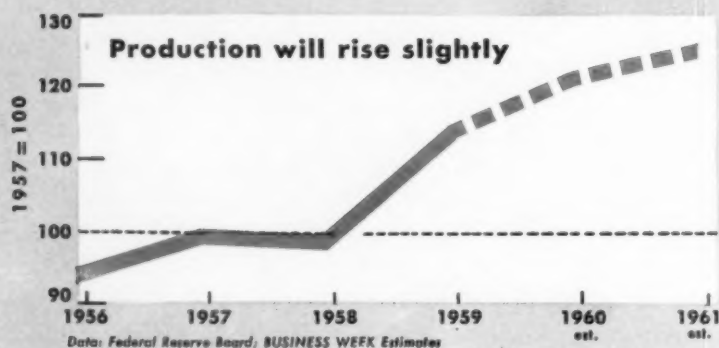
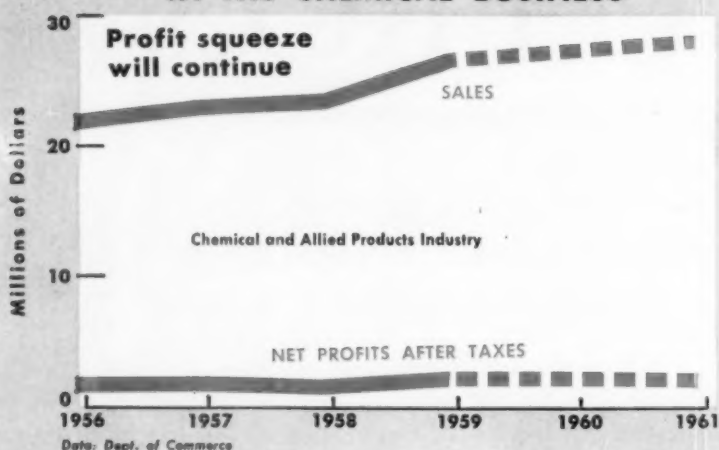
In Chemicals, Slower Growth, Shrinking

THE SHAPE OF '61

One of a series of analyses of key elements in next year's business situation

'61

IN THE CHEMICAL BUSINESS



U.S. producers of chemicals and allied products are looking ahead to 1961 with a sense of frustration.

The giant industry—the name is really a Commerce Dept. statistical catchall that takes in industrial chemicals, paints, fertilizers, manmade fibers, plastics, drugs and pharmaceuticals, and inedible fats and oils—this year had assets of \$24-billion, giving it fourth place among American industries. Sales for the year are expected to be around \$27.8-billion, with net profit topping \$2-billion.

What's more, all these record figures should be topped in 1961.

• **Under the Veneer**—These figures look wonderful, but the industry is sadly aware that they conceal some distressing facts.

For one thing, sales this year climbed by a meek 3%, compared with a robust gain of 7% the year before. Of course, part of 1959's strength reflected the comeback in chemicals after the crippling effects of the steel strike. But 1960's lower percentage of gain also carried a clear suggestion of slow-down; and most predictions for 1961 (table, left) are that the percentage gain will remain at the meager 3%.

Chemical executives are well aware that when an industry reaches maturity its period of fast growth is over. But the flattening sales curve is not the only thing that has them worried:

- The cost-price squeeze plagues many sectors of the industry.
- Research costs are rising.
- Operations remain at only 82% of capacity.
- Conventional markets are being invaded both by foreign competitors and by non-chemical companies.
- Prices are still sagging.

Chemical industry management, struggling to bend that sales-growth curve more sharply upward, sees no sign that many of the factors in the profit squeeze can be changed by anything short of war.

• **Research**—Take spending for research, which keeps going up. "A boost in research spending," says one executive sadly, "is certainly not something we want at this time. But we have no choice. What makes increasing R&D expenditures inevitable is the fierce competition in all the more profitable lines—competition within the industry, from outsiders, and from abroad.

A vice-president of one chemical company puts it this way. "An efficient and well-planned research effort is a company's only sure guarantee of continued growth in the U.S. chemical industry today. We would prefer to

Profits Cloud '61

concentrate our research in fewer directions. But we can't. We have to stay abreast in all fields in which we hope to continue to maintain position."

The need for research that can turn up a constant stream of new products is emphasized by the industry's determination to go ahead with capital spending plans, despite the serious overcapacity that is spotted widely through the field. For the past nine years, the industry has been spending an annual \$1-billion-plus on new equipment. For next year, an estimated \$1.5-billion will be spent, with 63% going into facilities for new products.

• **Necessity**—It's not just a love of novelty. Says a company president: "There's no use in kidding ourselves. In a growing number of areas—including agricultural chemicals, basic inorganics, organic solvents, industrial gases, polyolefins, sulfuric acid, dyestuffs, and even some such new glamor plastic raw materials as polypropylene—there is already much more production capacity than anyone can imagine necessary until the late 1960s. The only thing to do in a situation like that is to look for new directions in which to grow."

That's precisely what all the big producers are doing. The intensity of their research efforts is revealed by the breadth of their new interests—ranging from such electronic chemicals as the semiconductor materials to such metal organics as the more exotic rocket materials. Their interests will become even more diverse in 1961.

• **Overseas Moves**—Efforts by part of the U.S. chemical industry to find a larger share of its market abroad is one feature of 1960 that is expected to intensify in the year ahead. In a few cases this trend has been limited to exporting quality products at competitive prices. For the majority it has meant building plants abroad, sometimes alone, sometimes with a foreign partner.

Historically, the industry has always fought for protective tariffs. But at the current Geneva talks of the General Agreement on Tariffs & Trade (BW—Sep. 3'60, p81), it has found itself switched from the defensive to the offensive. Although it will still fight for protection, it has to take into account possible effects on its own invasion of foreign markets. As a measure of the scope of that trend to overseas business, one of the industry's top six companies figures that this year 70% of its expansion money has gone abroad. Next year it expects the rate will be between 75% and 80%.

• **Spiraling Costs**—Chemical executives admit that they can't do much to check

the steady rising of their production costs. More workers are needed; the industry had 3.7% more employees in 1959 than in 1958. The 1960 returns are expected to show another 3% rise. Costs of raw materials, transportation, and energy all keep on rising—and eroding profits more deeply.

As for prices, chemical management is a bit more cheerful for the future. During 1959, the Bureau of Labor Statistics' wholesale price index for chemicals sank 0.5%, and this year the drop should be close to 1%. But this decline in prices is expected to end in 1961. No one agrees on just how sharply the drift downward can be checked, but there is wide accord that just because a given chemical has found an expanding market is no longer a sufficient reason for lowering its price.

Optimism over the price trend is not enough to cure the industry's general uneasiness for the months ahead. Part of the feeling is a reaction to the long years in which chemicals were among the fastest growing sectors of the economy and even their errors quickly wiped out of mind by fresh triumphs.

That's changed now. A mistake in the industry can be very expensive, especially in prestige. The industry is firmly fixed in the public mind as being set in a cyclical growth curve. If one company, due to betting on the wrong product, lags for a time behind the growth rate of the over-all industry, its standing suffers an irreparable blow.

• **A Rugged Life**—The industry's view of itself was voiced last summer by Carl A. Gerstacker, now chairman of Dow Chemical Co. "Life is rugged in the chemical industry today," Gerstacker told the Congress of Chemical Engineering, in Mexico City. "While there is some profit left, it is getting sufficiently thin that it is in danger of strangling what had been a rapidly growing and progressive industry."

The industry finds itself far removed from the happy day when, if you had enough cash in hand to turn out a chemical—any chemical—you could make money.

It finds reassurance in at least one item—finances. Last year the industry managed to pay out \$1-billion-plus in dividends and build up working capital, while adding just a little more than \$100-million to its long-term debt.

Elsewhere, the portents are not happy. Most alarming of all is a feeling, grudgingly admitted if at all, that the flow of new products and process from the lab to the production line may be slowing down. If that happens, the industry could be in real trouble. **END**



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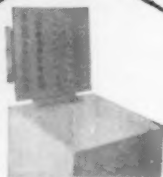


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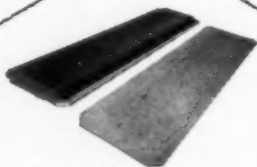
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The Industrial Sector Must Grow

That's where electronics manufacturers see their best potential—and best chance of staying in competitive race.

The chart at right ought to be good reading for the electronics industry: It shows all-time record sales of more than \$11-billion this year and a 5% or 6% increase in 1961. But in such a growth-minded industry, the gain is a bit disappointing, especially in industrial electronics.

No one expects the electronics industry to start leveling off in the predictable future; indeed, the optimists are sure its sales will more than double by 1970. But the flatness of the rising curve in the industrial market—the great hope of most equipment manufacturers—suggests continued downward pressure on prices and profits and an increase in the shakeout of companies.

Next year is likely to intensify the trend toward consolidation. This seems inevitable when 30 or 40 companies are competing for a market, and when each of the top 10 projects its growth on the premise of being able to capture at least 20% of the business. There just aren't that many 20%'s to go around.

• **Market Segments**—The greatest growth potential is in industrial electronics, partly because that's where the industry's newest technological wonders can be put to use after being developed with government backing.

The Electronic Industries Assn. recognizes four major categories of sales: military, industrial, consumer (or entertainment, since this category is primarily radio, phonograph, TV), and replacement parts.

The last two segments of the market should grow, but not sensationally. Together they will account for slightly more than \$3-billion in sales this year. Consumer sales are dominated by television—about half the total for this category. Barring another such new electronic product as television itself—and there is none in sight—the industry is unlikely to capture a much higher share of the consumer dollar than it has now. Replacement part sales depend directly on the amount of electronic equipment in use; that is steadily increasing, but replacement sales aren't ready to soar yet.

This leaves military and industrial electronics as the areas offering the greatest growth and profit.

• **Military Field**—These two markets have become so closely involved with

other products that they are no longer easy to define or measure. No one really knows, for example, how much of the military budget now goes for electronic products, because their value is buried in the cost of ships, planes, and missiles. In the same way, industrial electronic products have become part of a broader budget item, and no one knows how big the market really is.

Up to 10 years ago, military electronics was a fairly clearcut category made up chiefly of radio sets, gun directors, and such obviously electronic items as radar and sonar equipment. Today, electronic devices are so much an integral part of weapons systems that they cannot logically be singled out.

A modern military plane is practically a flying electronic product; at least 25% of its cost is for electronics, compared with less than 10% of a few years ago. A modern warship normally runs about 12% value in electronics, but some ships now under construction will be 30% electronic. Some missile-firing ships have 35% of their value in electronics.

Missiles have always relied on a high

content of electronics; they are stepping up now from about 35% to about 50% of value in electronic gear. Missiles, it has been said, are primarily an electronic product—a sort of self-powered disposable computer, built around a bomb.

Aircraft makers have long anticipated this shift in emphasis. Every one of them now has an electronics subsidiary or has built up electronics competence within its own organization. This puts the airframe manufacturers in competition with traditional electronics suppliers. Some, such as Hughes Aircraft Co., have become primarily electronics manufacturers.

• **Industrial Segment**—Similarly, the development of solid-state electronic devices, such as the transistor, shook up the industrial electronics field. Companies are realigning for a drive in such brand-new markets as:

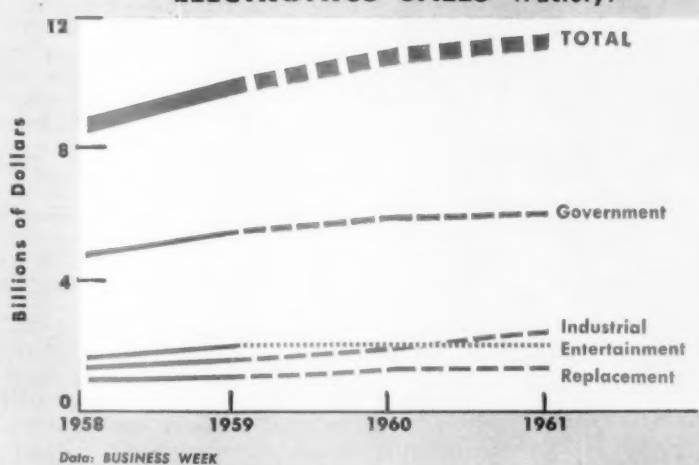
Numerically controlled machine tools. General Electric Co. and Bendix Corp. took an early lead with their vacuum-tube control systems; both have introduced a second generation of solid-state equipment. Meanwhile, many other manufacturers who skipped the

THE SHAPE OF '61

One of a series of analyses of key elements in next year's business situation

'61

ELECTRONICS SALES (Factory)





Look what DOT does for do-it-yourselfers

Sew-on clothing snaps and a wide variety of wood, leather and fabric fasteners are neatly carded by DOT's Columbia Fastener Company subsidiary for sale to the ever-growing do-it-yourself market.

Hammer-attached DOT SPEEDY RIVETS, for example, are widely used by hobbyists for decorative leather-work and for repairs where ordinary rivets have broken or worn out. Carded TEENUTS and PALNUTS are uniquely useful, too, in a multitude of hobby applications.

Handy packaging of small quantities is a convenience for users and retailers alike and Columbia's DOT line is found on notions and hardware counters from coast to coast. Bulk quantities of sew-on dress fasteners are sold to manufacturers under the name "Automatic" dress snaps.

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United-Carr Fastener Corporation

*... not even the wildest
growth projections assure
room for all in the field ...*

(STORY on page 53)

vacuum-tube stage are coming out with transistorized systems.

These include companies that got into electronics through military contracting, such as Hughes Aircraft and Norden Div. of Sperry Rand Corp.; such traditional manufacturers of industrial controls as Square D Co., Westinghouse Electric Corp., and Minneapolis-Honeywell Regulator Co., and even the makers of machine tools themselves, such as Cincinnati Milling Machine Co. Control systems often make up half the cost—and profit—of the most advanced machine tools.

Process instrumentation and control. As customers call for faster, more accurate, more complex instruments, more electronics gets into the system (BW—Nov. 5 '60, p54). This year's sales of electronic instruments and controls should be close to \$200-million, compared with less than \$50-million in 1950. Growth should continue to be spectacular.

Again, competition is stiffening. The larger manufacturers of instruments are moving toward development of entire systems, seeking full responsibility for engineering the controls for a plant as well as supplying the equipment. To compete with them, many companies will have to merge in order to combine their talents.

Data processing. This is the most important, fastest-growing part of the industrial electronics market. It has a great effect on the growth of electronic controls. But not even the wildest growth projections assure room for all the companies in the field. International Business Machines Corp. has perhaps 75% of the market, and it is unlikely to yield much ground in the next few years.

Scrambling for the rest of the computer market are 16 companies that make data-processing computers and eight or nine that make industrial process control computers. The list includes all the major electronics manufacturers and, in data processing, the established accounting equipment companies, such as Burroughs Corp., Sperry Rand Corp., Royal McBee Corp., and National Cash Register Co.

Electronic communications. Oddly this area where electronics was born is among the last to feel the new growth spurt. Sales of microwave relay stations, in particular, should start to rise rapidly in the next year or two. There is a great increase in the volume of communication in business, both be-



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LOOKING UP—Length of drill starts into the hole after change of bits. Falcon Seaboard Drilling Co. of Tulsa is drilling this well with a 9,500-foot string of Pittsburgh

Seamless 4½-inch Grade E drill pipe. Falcon Seaboard has used Pittsburgh Steel tubular goods and an independent distributor for many years with pleasing results.

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Boone Smiley, manager of the Mid-Continent Area for Falcon Seaboard, said:

"We've used Pittsburgh Steel's independent distributors through the years in times of short supply and when pipe was readily available. We've always felt that Pittsburgh Seamless did a job for us and the mill has always been fair."

Photographs on these pages show effective results of the close relationship between drillers and operators on one side and a Pittsburgh Steel

independent distributor on the other. Here, near Maysville, Okla., Falcon Seaboard is using 9,500 feet of Pittsburgh Seamless 4½ inch O.D. Grade E Drill Pipe on the fourth well the string has drilled in the area in recent months.

The independent who supplied this drill string to Falcon Seaboard sold the first string of oil country tubular goods manufactured by Pittsburgh Steel. Continued progress through the years has been based on service to the trade.

"We can't afford to get lazy," declared William G. Rudd, the distributor's sales manager. "The oil business is always subject to critical emergencies and they all have big dollar signs. It's up to us to pitch in and help."

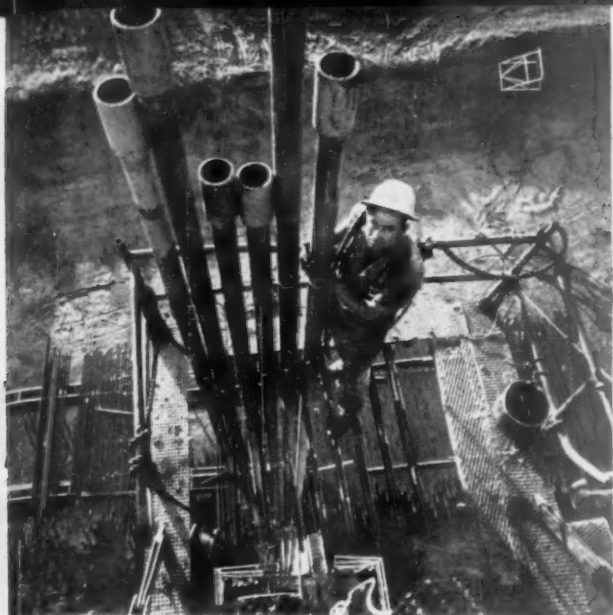
As a case in point, during periods of acute shortage, this distributor set up a service called the Mid-Continent Pipe Exchange. As a free service to

the industry, oilmen were polled for tubular material which they wished to swap for goods more strategically located, or more suited to their needs.

This extra service by Pittsburgh distributors is matched by the extra stamina you always get in Pittsburgh Seamless Drill Pipe—a stamina which stems from long experience in making special steels for the special jobs in the oil country.

When you buy your next string of drill pipe, or when you're ready to run casing or tubing, remember the combination of Pittsburgh Steel Co. and independent distributors offers you the kind of service—plus the utmost in dependable seamless tubular goods—that isn't available any other place.

It's easy to get lined up with an independent. They're listed at right. Call the nearest one today for quality seamless tubular products.

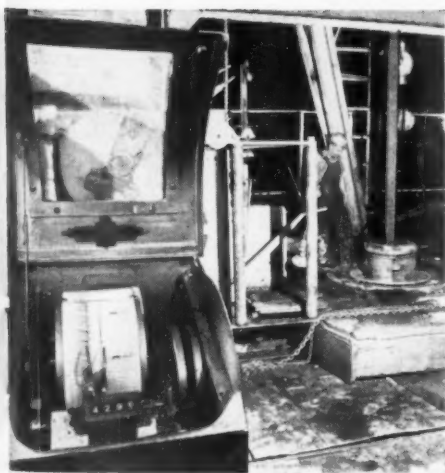


LOOKING DOWN—On monkey board of 131-foot, A-mast rig, roughneck gets joint of Pittsburgh Steel Co. drill pipe ready for re-entry during a trip. The 9,500 feet of drill pipe shown at top and on racks below was used to drill three previous wells.



Falcon Seaboard Drilling Co.'s No. 35 rig is at work here on a Sunray Mid-Continent lease near Maysville, Okla.

Driller Oliver Clark, left, chats with Max Thomas, distributor's representative, and Jewel Smith, Pittsburgh Steel field engineer.



Geograph on same rig shows hole is at 4,296 feet with the rotary table, seen at right, operating smoothly. Geograph chart indicates driller is midway between joint connections.



Distributor Home Offices

Bennett Supply Company
Midland, Texas

Atlas Bradford Company
Houston, Texas

Buckeye Supply Company
Zanesville, Ohio

C. W. Cotton Supply Company
Tulsa 5, Oklahoma

Franklin Supply Company
Denver 10, Colorado

Houston Oil Field Material Co.
Houston, Texas

Industrial Supply Company
Wichita Falls, Texas

Iverson Supply Company
Tulsa, Oklahoma

Longhorn Supply Co., Inc.
Houston 14, Texas

Lucy Export Corporation
New York 7, New York

Lucy Products Corporation
Tulsa 19, Oklahoma

McJunkin Corporation
Charleston 22, West Virginia

Midland Supply Company
Wichita 7, Kansas

Mountain Iron & Supply Co.
Wichita 2, Kansas

The Producers Supply & Tool Co.
Fort Worth 2, Texas

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Equipment Company**
Odessa, Texas

Sandy Supply Company
Wooster, Ohio

Southwest Supply Company
Pittsburgh, Pennsylvania

The Straker Supply Company
Jackson, Michigan

Superior Iron Works & Supply Co.
Shreveport, Louisiana

Tex-Tube, Inc.
Houston 7, Texas

Western Supply Company
Tulsa 1, Oklahoma

Pittsburgh Steel Company

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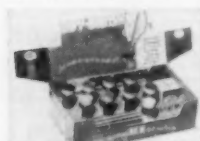




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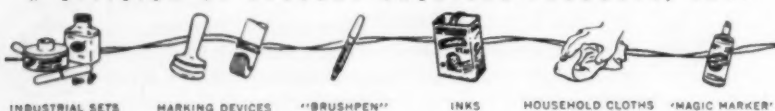


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INDUSTRIAL SETS MARKING DEVICES "BRUSHPEN" INKS HOUSEHOLD CLOTHS "MAGIC MARKER"

tween people and between data-processing machines.

The Federal Communications Commission has opened a frequency band for private point-to-point microwave use. For the first time, businesses can install their own high-capacity communications systems. These are costly, but in some cases much less so than phone lines if the traffic is heavy and constant enough.

• **Balancing the Mix**—The dominant trend in electronics in the coming year, and probably for the next five years, will be the continued search of manufacturers for the product mix and marketing formulas that are best for them. Few large corporations are willing to specialize in any way that cuts them off from significant segments of the industrial or military markets.

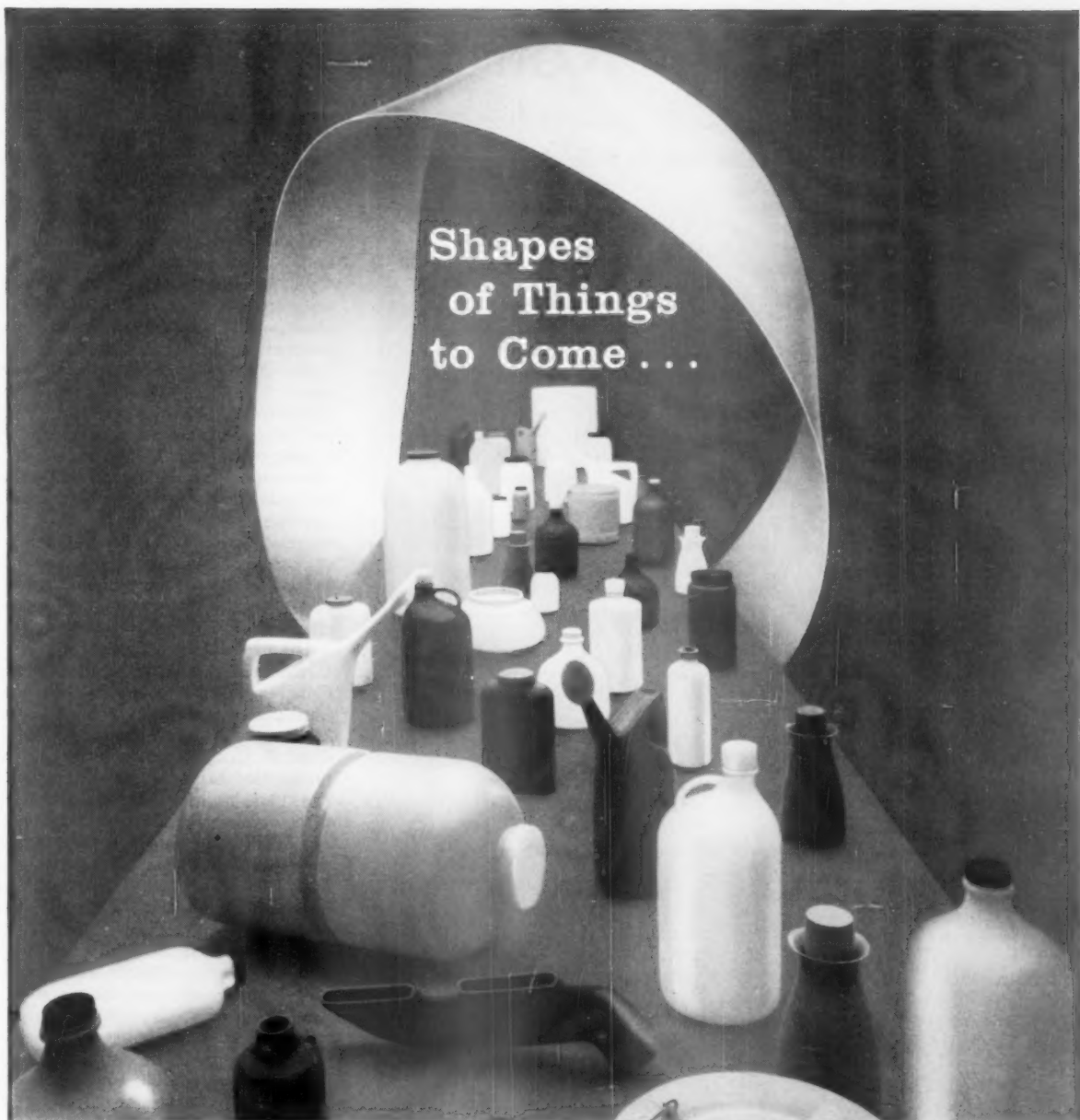
Thus, large integrated electronics manufacturers tend to look more and more alike. All are trying to serve all markets. Nearly all are vertically integrated to a considerable extent—they produce components as well as devices and entire systems.

The development of transistors impelled many electronics companies into the business of making components, as well as drawing many new outfits into the industry because of their special technical knowledge. Thus, the number of manufacturers of diodes and transistors rose close to 100 at one point. Mergers and failures have reduced the number to about 80, but most industry experts consider this still to be twice as many as the market can support. They expect more mergers and acquisitions next year.

• **How Much Market Space**—No one can predict today how many large integrated electronics companies will eventually emerge from the present turmoil. Obviously, there's room for several big companies that can serve the entire market and for many smaller ones that can serve more specialized, though still broad and important areas, such as data processing, industrial instrumentation and controls, and communications.

Few of these smaller companies, and perhaps not all of the big ones, will want or be able to produce all the components they need. So there should continue to be room for component manufacturers that can supply good parts at lowest possible cost.

Electronics is already one of the nation's great industries, and it is expected to grow considerably faster than the economy as a whole. This expansion offers hope to companies that find the going rough today. The industry also has a fine crop of technological advances to digest, with more to be expected as research continues. So, companies fondly expect the industry's growth curves to steepen. **END**



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A Tighter Rein on the Federal

It's possible, says economic adviser Robert Wallace, only if Congress gets the same expert help the spenders do.

The nation's biggest business—the federal government, which this year will spend \$80-billion through its regular budget and another \$20-billion through its trust funds—operates in an unbusinesslike manner.

This will come as no surprise to critics of government, but the critics are often hard put to it to document their case. That job has now been done for them by Robert Ash Wallace (picture), 39-year-old Ph.D. from Cordell, Okla., by way of the University of Chicago. Wallace, one of Pres.-elect John F. Kennedy's economic advisers, has done it in a book: *Congressional Control of Federal Spending* (Wayne State University Press, \$5.95).

Unlike any other business in the land, the federal government can coerce income out of its customers and, if necessary, print its own money. It is not subject to ordinary market rules or to the necessity of making a profit. Where doctors bury their mistakes, the government institutionalizes those it makes; as every bureaucrat knows, old programs never die—and rarely fade away.

• **Washington Experience**—Wallace is no academic intellectual, new to the world of practical politics. When he broods about how government gets and spends its money, and how it grows and grows, he bases his thinking on 11 years of Washington experience, mostly on Capitol Hill.

From 1949 to 1955, he was legislative assistant to Sen. Paul H. Douglas (D-Ill.), from whom he acquired a nose for smelling out pork in the federal budget. From 1955 to 1959, he was staff director for the Senate Committee on Banking & Currency. He resigned in April, 1959, to work full-time on Kennedy's campaign (in 1951 he had done staff work for Kennedy in an attack on airmail subsidies).

Bureaucrats and members of Congress are likely to shudder as they read Wallace's cold-blooded, well-documented expose of why federal spending is "out of control," why budget-cutting is so difficult, and why—when it is done at all—it is done so badly.

• **Root of Evil**—Such demands on federal spending as population growth, the cold war, and the increasing complexity of government are only the beginning of the story behind the rise in federal spending, says Wallace. The basic upward thrust comes from the

motivations of fallible people, not that people in government are worse than other people but that the spending system is so badly controlled.

Wallace points out that the member of Congress, with only a few extremely busy legislative assistants to help him study bills for spending billions of dollars, is at an enormous disadvantage with the agencies, which have sizable staffs to justify the requests for appropriations. Thus, the cards are heavily stacked in favor of people who want the money and against those who doubt they need so much.

• **Shots in the Dark**—According to Wallace, Congress has well-trying but rather blind methods for controlling expenditures it doesn't understand: refusal to change expenditures radically from past years (the institutionalizing of mistakes), meat-ax cuts (an arbitrary across-the-board percentage cut), attacks on overhead of agencies without regard to the worth of their operations, defense of local interests (often contrary to national interests), and budget cuts that exist only on paper.

As an example of phantom budget-cutting, Wallace makes an item-by-item analysis of Congress' claim of a \$3.5-billion cut from Pres. Eisenhower's appropriation requests for the 1954 fiscal year. He finds that \$2.2-billion of this "saving" was unreal—actually re-appropriations of old money or mere postponement of appropriations for outlay that wasn't due anyway.

• **House vs. Senate**—Wallace explains why the House of Representatives has traditionally been tight on appropriations bills while the Senate boosts the amounts voted in the lower house—to the point where an old Capitol Hill joke cites this as the reason for calling the Senate "the Upper House."

For one thing, the House acts first on appropriations. Pressure groups that haven't time to forestall budget cuts in the House still have time to build up an appeal to the Senate. Moreover, Wallace says, senators represent entire states, far broader constituencies than members of the House have, and can more readily justify public spending as directly beneficial to their people back home.

The greatest difference, though, is the political makeup of appropriations subcommittees in the two houses, says Wallace. That's where power over money is lodged most significantly. In the Senate, membership on these subcommittees is

preempted by members with the most seniority; these men are likely to come from states with a big stake in public works. In the House, subcommittee membership is more widely diffused, with seniority playing much less part, because assignments are made by the committee chairmen.

Wallace analyzes action by Congress on the 1952 rivers and harbors bill, showing that members of the Senate appropriations subcommittee represented states where \$280,510,000 was to be spent while the House appropriations subcommittee came from states where only \$12,750,000 was to be spent.

• **Suggests Expert Help**—Wallace does not pretend to have any cure-all for the upward pressure on spending by the agencies and by Congress, though he suggests that a President and staff advisers who have come up through the legislative side of government will be better prepared to expose nonsense and chicanery.

He does propose a staff of experts in the General Accounting Office to help Congress analyze and evaluate Administration spending requests. Such a staff, he says, would help make up for the individual Congressman's deficiency of professional help. He quotes his mentor, Sen. Douglas, as writing after the 1951 defense appropriation battle:

"I shall never forget my gasp of surprise when I discovered that the Senate Appropriations Committee had only one professional staff man to help evaluate a \$61-billion appropriation bill for the Dept. of Defense."

GAO is responsible to Congress; it was set up as the opposite number of the Bureau of the Budget, which is responsible to the executive branch. But Congress itself, despite complaints about its lack of professional advice to match the executive's experts, has never appropriated the money to enable GAO to do a critical evaluation job.

• **Vested Interests**—The appropriations committees in Congress oppose this role for GAO for fear their own power would be diminished, says Wallace.

"Studies of the GAO," Wallace writes, "would almost of necessity be made available to the whole Congress and to the nation as well. This might lead to justifications for reductions to which they [the committees] are opposed, or justifications for expenditures they would want to cut."

As it is now, Congress and the nation must rely heavily on the judgment of key members in Congress. Wallace says bluntly: "Special power held by members of appropriations committees is not

Budget

power exercised for the nation as a whole."

The executive branch for similar reasons opposes giving GAO a staff to analyze expenditures on behalf of Congress. It doesn't want to lose its advantage over Congress in budgetary details.

Wallace notes that some people may suggest that the Budget Bureau can supply Congress with all the information it wants, but he points out that this bureau is responsible to the President, not to Congress.

"It takes no great amount of insight," he says, "to determine what would happen to a bureau employee who pointed out soft spots in the President's budget to members of Congress." Giving GAO this power, he says, would provide a useful weapon against special interests, which are "always more concentrated and more powerful than general interests."

• **Job Switch**—Now that Kennedy has won the election, Wallace expects to move from the Senate Office Building to the other end of Pennsylvania Avenue, to use his budget expertise.

The likelihood of a change of address hasn't yet affected Wallace's desire to cut the pork and baloney out of the federal budget. He thinks that Kennedy, when he takes office, ought to move fast to reduce unessential programs—to make room in the budget for what he really wants. Wallace doesn't regard any agency's present budget—even the Defense Dept.'s—as the plateau from which fresh spending starts off.

• **No Crash Spending**—The young Oklahoman takes a cautious line on proposals that Kennedy should come in with a deliberately unbalanced budget for fiscal 1962, as some of Kennedy's advisers have recommended. He thinks this would be a mistake—psychologically, politically, and possibly economically. It's too soon, says Wallace, to be sure that the economy will need extra stimulus in the second half of 1961.

Wallace is against putting through crash spending programs that may hit the economy after it's already climbing uphill, only adding to inflationary pressures. This would be particularly unfortunate, he thinks, in a time of balance-of-payments strain for the U. S., since it would make U. S. goods less competitive in world markets.

Wallace would attack the balance-of-payments problem by tying U. S. foreign aid more firmly to U. S. exports and by cutting out practices of the armed forces and other agencies that were designed deliberately to stimulate buying of foreign goods during Marshall Plan days.



ON FAMILIAR GROUND, Robert Ash Wallace stands in rotunda of Senate Office Building with his book, *Congressional Control of Federal Spending*.

In Labor

• • •

Cost of Living: What's Happening to It

	Total Cost of Living	1947-49 = 100			
		Food	Clothing	Housing	
				Total	Rent Only
October, 1952	114.2	115.0	105.6	115.2	118.8
October, 1953	115.4	113.6	105.5	118.7	126.8
October, 1954	114.3	111.8	104.6	119.5	129.0
October, 1955	114.9	110.8	104.6	120.8	130.8
October, 1956	117.7	113.1	106.8	122.8	133.4
October, 1957	121.1	116.4	107.7	126.6	136.0
October, 1958	123.7	119.7	107.3	127.9	138.3
October, 1959	125.5	118.4	109.4	130.1	140.4
November	125.6	117.9	109.4	130.4	140.5
December	125.5	117.8	109.2	130.4	140.8
January, 1960	125.4	117.6	107.9	130.7	140.9
February	125.6	117.4	108.4	131.2	141.0
March	125.7	117.7	108.8	131.3	141.2
April	126.2	119.5	108.9	131.4	141.4
May	126.3	119.7	108.9	131.2	141.4
June	126.3	120.3	108.9	131.3	141.6
July	126.6	120.6	109.1	131.3	141.8
August	126.6	120.1	109.3	131.5	141.9
September	126.8	120.2	110.6	132.0	142.1
Oct., 1960	127.3	120.9	111.0	132.2	142.5

Data: Dept. of Labor, Bureau of Labor Statistics.

@Business week

1-Million Workers Get Wage Hike As Food Prices Push Up C-of-L Index

More than a million workers will receive cost-of-living increases (most of them 2¢ an hour) as a result of a further rise in the Labor Dept.'s Consumer Price Index, to a record 127.3% of average 1947-49 prices. The mid-October index showed an increase from the previous month's level of 126.8% (BW-Oct.29'60,p38).

Some 975,000 employed in auto and farm equipment industries will get 2¢ an hour more as a result of a three-month rise in the CPI. Another 80,000 in farm equipment and aircraft industries are due 1¢ c-of-l adjustments.

The factory workers' buying power rose despite the higher prices. Take-home pay, after taxes, for the average factory worker with three dependents rose to \$81.50 a week in October. "Unusual increases" in food costs—2.1% more than a year ago—were blamed by the Labor Dept. for most of the latest rise in CPI.

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Garage Closed After Union Victory In Election Must Reopen, NLRB Rules

Jays Foods, Inc., a Chicago potato chip manufacturer, has been ordered by the National Labor Relations Board to reopen a garage that the company contends it closed in July, 1959, for economy reasons. The NLRB upheld a trial examiner's finding that the department was shut down because six mechanics voted for a union.

The board ordered the company to (1) reopen its truck repair and maintenance department—and take back work farmed out; (2) rehire the six mechanics who were laid off, and (3) make up back pay the mechanics lost. Jays Foods plans a federal court appeal.

MORE NEWS ABOUT LABOR ON:

- P. 64—Steel facing pay problems.

Jays Foods closed the garage July 31, 1959, after an election in the department 10 days earlier. However, a company official testified he made up his mind "in the middle of 1958" to close the garage, and said that all department heads had been kept advised of plans being made for reducing costs.

• • •

Retail Group Will Fight to Keep Exemptions Under Wage-Hour Law

The American Retail Federation of store executives is girding for the biggest fight yet to preserve the retail stores' exemptions under the Fair Labor Standards Act. The ARF expects a showdown in Congress as a result of the victory of labor-backed Sen. John F. Kennedy.

Unions want the wage-hour law broadened to cover store workers now excluded from 40-hour-week and minimum-wage provisions of the federal act. Retailers oppose this.

House Speaker Sam Rayburn (D-Tex.) said last week that wage-hour changes will be one of the first issues on the agenda of the incoming 87th Congress.

• • •

Unions Are Victors in 57% of Elections Held by NLRB During Third Quarter

Unions won 57% of the representation elections conducted by the National Labor Relations Board during the three-month period that ended Sept. 30. The victories involved bargaining units covering a total of 54,377 employees.

The unions won 949 elections of 1,673 held. In all, 109,893 employees were eligible to vote. AFL-CIO unions participated in 1,146 elections, won a majority in 581 and lost in 565.

Employees filed decertification petitions in 52 bargaining units during the three months. A majority of employees rejected representation by the incumbent labor organization in 35 elections; unions won in 17.


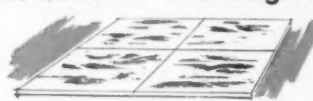




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Labor Briefs

Clarence N. Sayen has been reelected to a fifth term as president of the Air Line Pilots Assn. Challenger James M. Landis, former chairman of the Civil Aeronautics Board, was unable to get a two-thirds vote needed to be nominated as a non-pilot. Dissidents backed him, as an outsider.

Maurice A. Hutcheson, president of the Brotherhood of Carpenters, and William Blaier, secretary of the union, were sentenced this week to two to 14 years in prison after conviction on conspiracy and bribery charges in connection with a state highway land deal.

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Steel Facing New Pay Problems

● The industry usually gives white-collarites raises equal to those won by mill workers, but this year management intends to break with past to curb rise in labor costs.

● Delay in granting such boosts, however, may make office workers more receptive to union organizers.

● At the same time, mill workers are increasingly unhappy about SUB cuts and confusion over c-of-l hikes.

Union-management relations in the steel industry are only slightly less confused this week than a year ago—when steel was being made under an injunction and no contract settlement was in sight.

New tension is building up. Efforts in behalf of improved relations—a mutual trusteeship to end or reduce strikes—appear bankrupt. Broadly, this is the situation:

- Two money programs in what United Steelworkers Pres. David J. McDonald boasted was “the greatest contract in history” are in trouble. Although unionized steelworkers got an automatic 3.5% raise effective Dec. 1 averaging between 8¢ and 9¢ an hour, the higher cost-of-living index (page 62) didn’t increase their pay under an “escalator” clause. In addition, the current condition of company supplementary unemployment benefit reserves is forcing cuts in weekly SUB checks to thousands of steel unemployed.

The result: new and serious rumblings of discontent within USW at a time when McDonald is trying hard to muster personal support and to strengthen the steel union internally.

- Meanwhile, McDonald’s program for a “strike-free industry” through two study committees—including one to deal with controversial work practices issues, with a report due this week—appeared bogged down in apathy and some mutual snappishness; not even a mutual chairman had been agreed on at midweek, after 11 months.

- And management — concerned about its rising costs and its grim economic prospects in 1961—faced a perennial problem: whether and/or how to pass along to white-collar employees the equivalent of the 3.5% increase to unionized production workers.

I. White Collar Salaries

Salaried employees traditionally have been given at least the equivalent of the hourly workers’ raises. The increases

won’t be given this time. They will be delayed—and, with the 1961 outlook as it is now, they aren’t likely to come soon.

This could cause morale problems and perhaps make some groups of office employees more receptive to union organizers in a white-collar drive scheduled in 1961. The companies aren’t particularly worried. They are inclined to feel that the potential gain from a change of policy toward white-collar ties to production wages outweighs the risk.

- **Double Raises**—In most companies, office employees are under a regular salary administration program—with merit raises providing increases every six months or a year. But, in the past, they have benefited, too, from stepups in salary whenever production workers have had a wage increase under their union contracts.

Steel managements have done a lot of soul-searching over this in other years. They’ve felt that office people should not get raises both ways. But the policy has been allowed to stand; nobody wanted to risk unsettling office relations in good times.

It’s different now. More than ever, steel costs are a problem. They must be watched closely, in every way, if company earnings—and dividends—are to be protected in 1961.

The steel white-collar labor force is increasingly important as a cost factor. Hourly employment has been stable for years; the number of salaried workers has more than doubled in the same period, to more than 20% of the number of blue-shirted workers at their peak level. The percentage is greater now. Proportionally more of the white-collarites are at work because they haven’t been affected as much by deep-reaching layoffs.

- **Union Problem**—So white-collar salary levels are important, and management is showing a firm determination to hold them in check by breaking with past practices.

This is something easier talked about than done. There are many problems.

USW has unionized some offices. Many of these contracts require that white-collar people must share any raise negotiated for production groups.

The trouble is that most companies with unionized offices have others that are nonunion. The vice-president of one such company summed up the problem he faces in this way:

“You can’t raise the salaries of the unionized people without raising those of the nonunion people. If you do that, how can you bypass the workers in the offices downtown?”

That wasn’t the end of it. The company has some regional sales offices in its main offices. It feels that these people couldn’t be denied the salary adjustment given other white-collar workers—but if one regional sales office gets an increase, all must. The end result is that if any salary adjustment is made, to any group, anywhere, all white-collarites will have to be given comparable raises.

Eventually, it’s almost certain that white-collar people will get an increase, in one form or another, to make up for the 3.5% given production people this week. But it will have to wait until the steel industry’s prospects brighten considerably.

- **Unhappy Mill Workers**—The steel policy on salary adjustments—to limit white-collarites to their merit increases at this time—may have repercussions. But more immediate problems have to be faced: The blue-shirted production workers are unhappy over the low level of employment in the industry, and now the cuts in SUB checks, and over the fact that the government’s index of living costs has risen sharply since the first of the year, enough to give them at least a 3¢-an-hour increase on paper, but their pay won’t increase correspondingly.

The dissatisfaction in the mills—with employers and their union leadership—could be a serious problem in the months ahead.

II. Drain on SUB

Steel may find its most serious problem, long-term, arising from cutbacks this week in supplementary unemployment benefits at U. S. Steel Corp.—and probably quite a few more producers. Similar cuts will affect other producers from now on. Naturally, laid-off union men aren’t one bit happy about this.

SUB, of course, is the immensely complicated program under which steelworkers with two or more years of seniority accumulate credits redeemable in layoff pay. SUB and unemployment compensation are calculated to yield a

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laid off workman 65% of his after-tax straight-time pay. It's been part of steel's labor contract since 1956 and is financed by a 5¢ charge against industry operating expenses for every hour worked.

• **Recession Payments**—Altogether, the SUB program has poured about \$132-million into the economies of distressed steel towns since the benefits first became payable Sept. 1, 1957—just in time for the onrushing 1958 recession. During that slump, which was remarkably severe for steel, most producers saw their SUB funds reduced well below the peril point of 75%, below which payments are reduced on a graduated basis. Mostly, basic producers' payments leveled off at about 52.5% in 1958 and hung there for months until the big buildup of inventories for the 1959 strike returned over 130,000 men to the plants and added one full day to the average work week.

Naturally, just about every economic interest in every steel town welcomes such an income stabilizer as SUB. So, when the news broke recently that another round of cutbacks in SUB payments was at hand, the complaints practically began McDonald's 1962 bargaining for him. Steelworkers—backed by merchants and other business interests—bemoaned the impact of reduced cash flow and suggested that steps be taken to safeguard full benefit levels in the future.

• **Bargaining Issue**—Improved SUB already is on the USW bargaining agenda for mid-1962, and it was a subject of bargaining all through the 1959 negotiations, strike, and injunction period. In the last analysis, the union chose to take the money available in other forms and let SUB continue as originally drawn in 1956.

Today, though, as the benefit cutbacks are made, that proves to have been a bad guess on McDonald's part. Had he won one of the points he sought in the SUB bargaining, there would have been more money available for benefits when steel layoffs became massive last May—and it would have been paid out more slowly than it has been. The effect of what actually happened has been this: SUB money paid out this year was concentrated in the pockets of the lower-seniority men who got laid off earliest. That leaves reduced benefit levels for those who are still being laid off—now mostly fairly long seniority men.

• **Unsuccessful Gamble**—USW bargainers tried to exclude 1959's four strikebound months from the period on which SUB financing calculations are based. But they couldn't bargain such a point independently of the whole SUB problem. And they couldn't consider the whole SUB problem independently of every other issue. So when the time came for decision, USW bargain-

ers bought a package that didn't include any SUB changes at all. Thus, the strike months stayed in the formula.

At that, McDonald was taking a calculated gamble that 1960 would be what everyone was assuring him it would be—a record year for steel. And had it been so, inclusion of the strike months wouldn't have mattered a bit.

As it happened, of course, steel employment began getting mushy last March, took the toboggan in May, and hasn't stopped sliding yet. That has caused an increasingly severe drain on the funds at a time when they were supposed to be accumulating handsomely and it cut down accruals savagely.

III. Cost-of-Living Revision

The issue on which McDonald's bargaining probably will be criticized more pointedly is cost-of-living pay. This is another fringe benefit that was written into the 1956 contract. It added 17¢—about one-third—to the cost of the biggest, fattest, most inflationary contract steel ever signed. As a result, steelmen were determined to terminate it when 1959 bargaining began. For practical purposes, they succeeded (BW—Apr. 16 '60, p. 129).

The contract still has a c-of-l clause, but it puts a 6¢ ceiling on it—3¢ payable in each half of the contract, if needed. It also permits steel to charge any c-of-l liability against the cost of its insurance program to the extent that insurance costs exceed a base figure.

• **Accounting Dispute**—All this first 3¢ c-of-l liability that's presently available has accrued, and more, but the cost of insurance has risen to a point where there's great dispute whether any money remains for cash c-of-l payments after insurance costs are offset. Typically, the determination of that issue is grotesquely complicated. It goes like this:

• The governing figure on insurance costs for the first 3¢ c-of-l increment will be U. S. Steel's actual cost during the second quarter of 1961.

• To determine that in advance, both U. S. Steel and the union have actuaries at work. If the two can't agree, they must pick a neutral actuary to resolve their differences.

Predictably, at midweek, the two actuaries didn't agree either on a cost figure or on a neutral actuary. The parties announced that "an over-all review" of the problem showed "further work must be done." It was a critical point, for the amount of c-of-l cash available Dec. 1—if any—would affect all steel industry wage calculations. It would be extremely difficult to go back, some weeks later, and adjust all the other payroll calculations c-of-l affects.

The same problem could arise 10 months hence, when the second installment of c-of-l becomes payable. **END**



Oil Scratches for Customers

For the first time in its 101-year history, the U.S. petroleum industry is running short of customers.

Hitherto, the oil people have had it rather easy compared with other sellers. Whenever their sales have begun to drag, a new invention—such as the automobile—or a war or a Suez crisis has come along to assure ample demand.

Now, the industry is in the doldrums again, and there's no invention or crisis in sight to give it a push. So the industry is taking a revolutionary, for it, step: It's massing its forces to build up more sales in existing markets.

• **Discoveries**—The current slump has the standard causes—too much supply, too little demand. The oversupply has been intensified by the discovery of vast new oil reserves in North Africa, especially Libya, and by the steady increase in refinery capacity. Meanwhile, demand has suddenly stopped growing at its accustomed pace. Historically, the industry has counted on a 5% annual increase in sales, but for the past three years the rate has been down around 2.2%.

Recognizing that it couldn't do much about supply even if it wanted to, the industry is starting its counterattack on demand. This is a cooperative project, and Charles J. Guzzo, senior vice-president of Gulf Oil Corp., describes it as "the greatest sales attack of all time."

The push for sales splits into three campaigns, hitting the industry's three major products—gasoline, motor oil, and home heating oil. Individual company

efforts are being coordinated by three special committees, set up by the American Petroleum Institute, oil's trade association.

I. Get 'em Back on the Road

Most elaborate of the three programs is the one aimed at stimulating gasoline sales by encouraging travel by automobile. Called the Travel Development Program, it's the outgrowth of an API study that began two years ago by considering a promotion of power mowers. When it was decided that mowers wouldn't gulp down enough gasoline, the committee tried to push "U-drive" yachting, where the customer can hire a fancy craft and go for an ego-soothing spin at moderate cost. The plan looked good—with boating already consuming 500-million gal. of marine gasoline—but not good enough.

Eventually, the committee decided that the real sales potential lay in the greater use of passenger cars.

Until recently, the twin growth of population and auto ownership had kept the business healthy. Then, although car ownership continued to grow—there were 58.6-million motor vehicles registered last year compared with 52-million in 1955—people began to drive less. There are 6.4-million two-car families in the U.S. today, but the two cars together don't run up so much mileage as a single car five years ago. Gas consumption has been further reduced by the popularity of the unthirsty compact

cars and the switch to use of public transportation, partly because people fear traffic congestion and the perils of the highways. Another factor is increased European travel. At one time, people used to motor around the country on their vacations. Now they prefer to tour Europe.

• **Shrinkage**—All these factors added up to reduce the annual consumption of gasoline per car from 686 gal. in 1953 to 641 gal. last year.

The industry decided to reverse that trend. Says R. W. Weston, advertising director of the Ethyl Corp.: "If we can get people to drive only two more miles a day, the industry will sell 3-billion more gallons of gasoline a year—a 5% increase in the market. Just one extra tankful a year would add 840-million gal. to sales."

The Travel Development Program is concentrating on persuading the individual companies to spend less time and money fighting each other for the same gallon of gas and putting more effort on advertising that will create a market for two gallons, where only one was sold before.

Harry L. Moir, retail marketing vice-president of Pure Oil Co. and chairman of the TDP committee, puts it this way: "We have been so busy talking about octanes, additives, and brand names in trying to capture our share of the existing market that we have forgotten the vast, untapped reservoir of increased demand."

• **Campaign Fund**—Right now the

committee is pressing the individual companies to divert part of the advertising budgets to a campaign built around the message: "Take to the Road for Fun." It also is looking for support from other groups that profit from motor travel—tire, auto, and battery makers, hotels and motels, resorts, and restaurants.

Some oil companies have already keyed their ads to the message, although on an individual basis. Back in 1955, the Ethyl Corp. started its own get-out-and-drive campaign, which has developed into the Magic Circle (a name-that-city game), which now gets most of Ethyl's ad budget.

Sinclair Oil Corp., another early starter, is tying its next campaign into the 1961 national Civil War Centennial. Each ad pictures a Civil War memorial or battlefield, tells its story, and urges the reader to "visit Civil War battlefields."

Other oil companies are working on the drive-more theme. Even those campaigns that began before TDP are now keyed to support the common cause.

- **Scary Statistics**—The committee is also trying some less direct approaches. It figures that pre-holiday predictions of heavy highway death tolls are scaring people away. Actually, the committee argues, the percentage of accidents to cars in use is about the same day in and day out. It's trying to persuade the National Safety Council to dress up its messages to extol safety without scaring drivers off the road.

Scary or not, the committee would like to see more three-day weekends. It's working with the National Assn. of Travel Organizations to persuade states to adopt the idea. The ultimate goal: an act of Congress decreeing that all holidays be celebrated on Fridays or Mondays.

Another committee target is the foreign tourist. It's acting as a clearing house for U.S. travelogues, and is working through travel agents, shipping companies, and airlines to get them shown in Europe.

- **Many Delays**—None of these programs has yet gotten much beyond the planning stage. The committee's efforts have been held up by fund-raising trouble, and by the tendency of special subcommittees to spring up, divide like amoebas, and deliberate more than they act. However, all the committees are being pushed hard. They are currently pledged to come up with specific plans by next May.

As of now, actual accomplishments consist mostly of stories planted in the press, and of one more contribution to the national mania for declaring "weeks": next year, May 21-27 will be dubbed Vacation Planning Week.

"The process is a slow one," says Moir, "but the industry is really excited

and working together. With this type of goodwill, we'll be moving at top speed very soon."

II. Change That Motor Oil

Motor oil is another of the industry's problem products, and the Petroleum Institute has set up a committee to deal with it. This Motor Oil Study Panel is headed by Rudolph Cubicciotti, a vice-president of Sonneborn Chemical & Refining Corp. His problem: The sales ratio of motor oil to gasoline has been steadily declining.

In this area, the oil people are at odds with the auto makers—and oil is still feeling peevisish about Detroit's horsepower race, which forced the industry to go in for ever-soaring octane ratings, only to have Detroit switch its stress to smaller engines.

This time, the trouble is that several auto makers have been stressing as a sales point that the oil in their cars needs to be changed only at intervals of 4,000-5,000 miles, at least double the 2,000-mile limit urged by engineers.

The Motor Oil panel is beating the drums for frequent oil changes: every 30 days in winter, every 60 days in summer, and never less than every 2,000 miles. The panel is having some success in persuading Detroit to go along with this concept; General Motors is starting to make its recommendations conform. Chrysler, on its own, found that motor oil would last for 5,000 miles but that the additive content, designed to keep the motor clean, broke down after 2,000 miles. Thus, Chrysler recommended 2,000-mile oil changes for its 1960 models. However, Ford and other companies are holding out for the less frequent changes.

- **Dealers, Too**—The panel recognizes that Detroit isn't the only source of its troubles. It claims that service stations don't push hard enough for oil changes. Says Cubicciotti, "The service station

people are getting too lazy to raise the hood for a quick check."

To overcome all inertias, the panel, and API behind it, is working as a clearing house for motor oil promotions. Cubicciotti says many companies have reacted by stepping up their selling.

III. The Battle of the Furnace

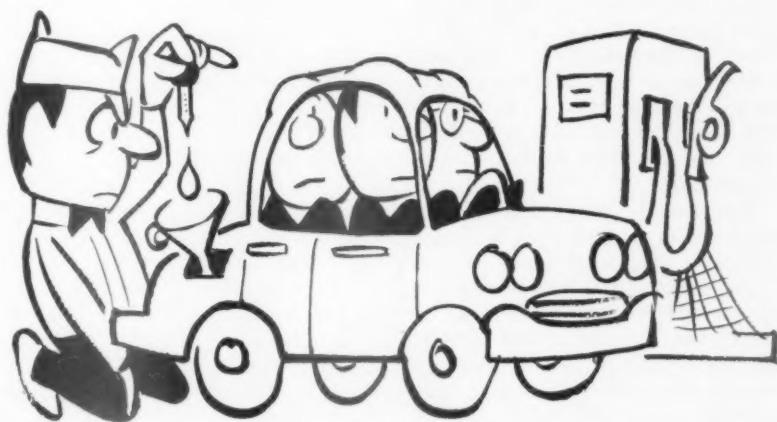
The third sector of oil's war for bigger sales is home heating—a field that oil very largely took away from coal only to find its own dominance threatened by natural gas. With long-line pipe systems spreading, especially in the Northeast, natural gas has gained as a home fuel to a point where in last year's new homes two gas heating units were installed for every one oil burner.

A year ago, a worried API hired the Battelle Memorial Institute to see if oil burners could be made more efficient and competitive. Battelle found that most of the individual companies were already doing research in this field, so it recommended a coordination program to avoid duplication.

API is trying to raise \$500,000 from its members to step up the program, especially by farming out technical points to research labs.

The program bore one fruit when Delco Products Div. of General Motors decided against dropping its oil burner manufacturing, and instead added a three-man engineering staff to work along the lines suggested by API.

- **Modest Hopes**—The oil industry as a whole is by no means certain that its three-ply promotional approach will be enough to create a real boost in the annual rate of sales increase. Even such a long-term apostle of stronger marketing efforts as M. J. Rathbone, president of Standard Oil Co. (New Jersey), says that "an average growth rate of 2.5% in over-all demand is probably the best the industry can expect in the next few years."



In Marketing

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FTC Refuses to Dismiss Its Complaint That S. Klein Ads Are Misleading

The Federal Trade Commission has refused to dismiss its complaint against S. Klein Department Stores, Inc., headquartered in New York City. In a formal order, the commission ruled it properly complained that Klein made misleading claims in its advertising and that the commission has jurisdiction over the case since the advertising crossed state lines.

FTC's complaint against Klein is considered an important one (BW—Aug. 27 '60, p. 58) because it's the first time the commission has filed a complaint in which it asserts that advertising passing across state lines meets the "in commerce" requirement of the Federal Trade Commission Act and the Constitution.

Klein claimed that since FTC made no charge that it had sold goods across state lines, it could not satisfy the "in commerce" requirement, hence was not subject to FTC jurisdiction. But Commissioner William C. Kern, in a short opinion, ruled that "interstate communications for commercial purposes constitute commerce within the meaning of the Constitution."

The full complaint has not yet been ruled on by an FTC examiner or by the full commission.

S. Klein will challenge the ruling, one way or another. The company is convinced (1) that the charges against its advertising are unfounded, and (2) that FTC has no jurisdiction in the matter in any case. It is studying the advisability of seeking rehearings before FTC or of going straight to the federal courts.

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Three Majors Slash Prices on Car Tires As Smaller Manufacturers Moan

Competition in tires took a new turn last week—a turn that made the smaller manufacturers acutely unhappy.

Firestone Tire & Rubber Co. started the stir, with retail price cuts on its passenger car tires ranging from \$1 to \$4 effective Dec. 1. Further, Firestone is offering a new time-service guarantee against most common road hazards, ranging from 12 months to 30 months. Goodyear and General Tire promptly matched Firestone's offer, and the other companies were expected to do so momentarily.

Target of the attack is the competition that the mail order houses are giving tire dealers. In the last few years, especially, the mail order concerns have exerted a tremendous influence on tire distribution. An independent survey this year showed that Goodyear and Firestone brands held first and second spots in passenger tire sales, but Sears, Roebuck ranked third and Montgomery Ward fourth. The mail order houses, like some of the smaller manufacturers, have been offering time-service guarantees for some time.

To the smaller tire manufacturers, the price cuts came as a severe blow. The new prices do not cover truck tires, where discounting has been murderous. In passenger tires prices have been more stable, and the smaller manufacturers had hoped for a boost. At least three of them, possibly four, showed losses for the first nine months of this fiscal year on tire sales.

• • •

Humble Oil Tips Its Hand Slightly On Plans for National Marketing

A possible tipoff to the plans of Humble Oil & Refining Co. for national marketing (BW—Oct. 15 '60, p. 51) came last week. The company announced it will hold a three-day open house at 35 new ENCO stations to signal the formal entry of Humble, domestic subsidiary of Standard Oil Co. (N. J.), into the California market.

This was the first official mention by Humble of its use of the ENCO name. The Carter Div. of Humble, it's true, had already unfurled the ENCO flag in a couple of Northwestern states. But Humble's national advertising, listing its five brand names (Carter, Esso, Humble, Oklahoma, Pate) did not include ENCO.

The 35 Los Angeles stations represent progress since Humble first said last May it would break into California. At that time it had only 11 stations in Los Angeles, four in Nevada, plus 12 new Humble stations in Arizona, where the Humble Div. of Humble Oil & Refining already operates.

It looks as though Humble were gradually extending the use of ENCO as a trademark, in markets outside Esso and Humble Div. territory. The Humble station name is still growing, however, on Esso stations, where the Esso brand is sold.

• • •

Brochure on Personnel Relations Goes to Work Helping Salesmen

SKF Industries, Inc., is trying to turn its personnel relations program into a marketing tool.

The Philadelphia maker of ball bearings this week sent some 15,000 customers a brochure on the company's employee relations program. It suggests that this program resulted in more satisfied, more skilled workers—hence, in better ball bearings. The eight-page, two-color booklet spotlights the company's 75% tuition-refund plan, incentive bonus awards, safety record, recreation program. It claims that the company's employees' average hourly earnings are 20¢ above the industry average, and their fringe benefits nearly 9% more.

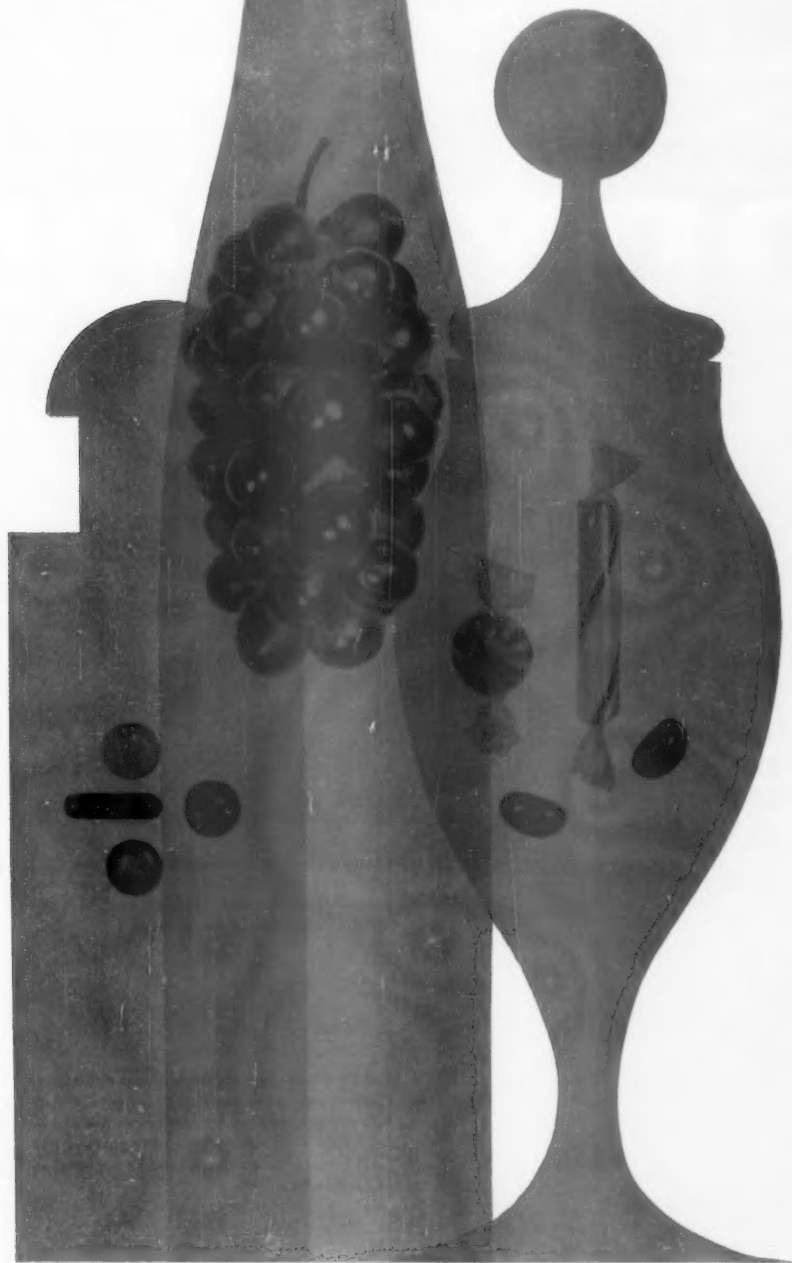
Thomas F. Morris, SKF industrial relations vice-president, says the mailing is just the beginning of an entire marketing program that will emphasize personnel policies. So far, there has been no direct use of the argument that satisfied employees are less likely to strike and thus to delay delivery of orders, but the brochure does quote from articles about the industry-leading contract that SKF signed last year with the United Steelworkers.

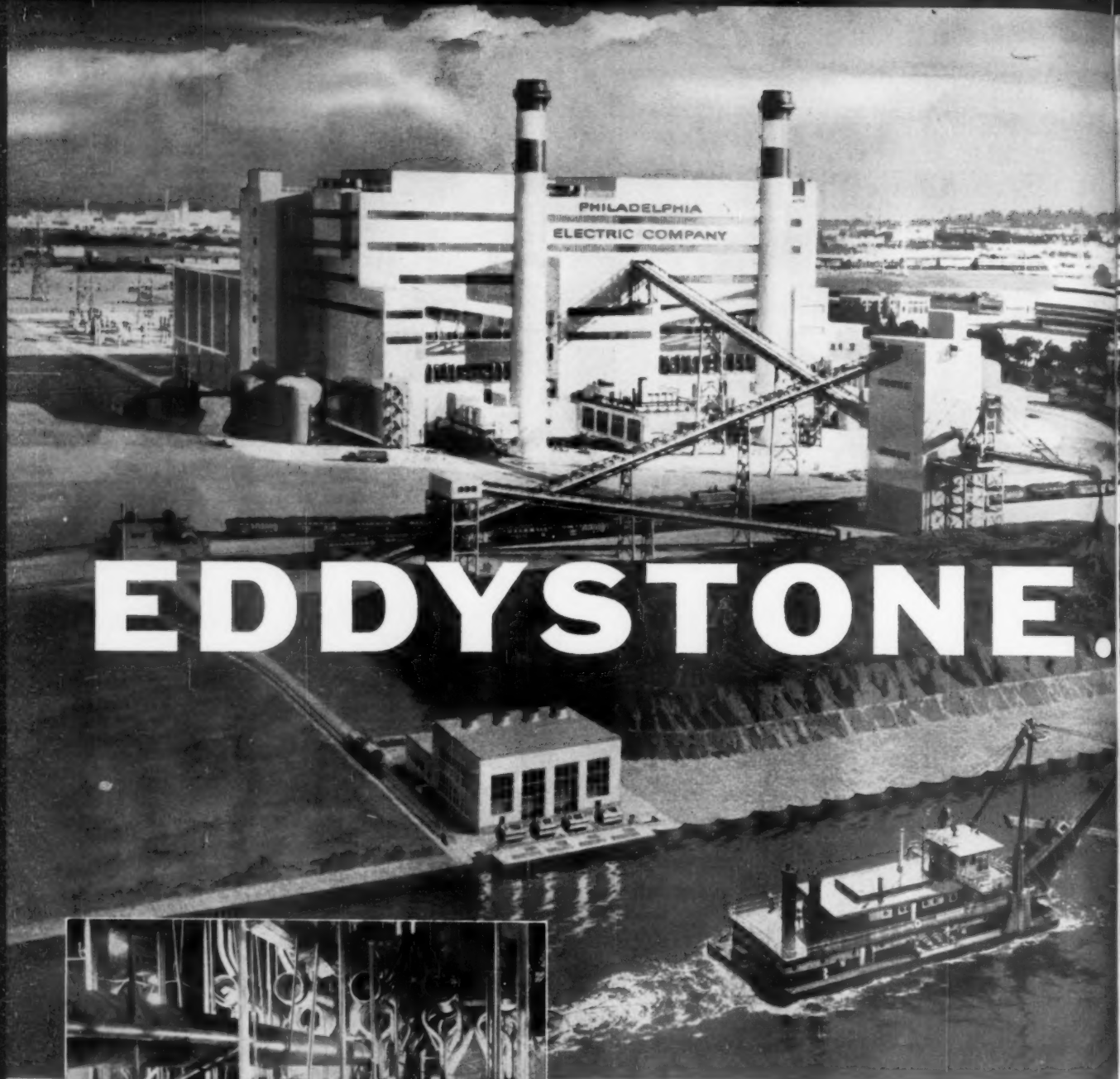
GLASS CONTAINERS BOOST SALES... THANKS TO COLUMBIA-SOUTHERN CHEMICALS

Tempting fruit and vegetables, brightly colored beverages, flavorful candies are among the many products that go to market in glass. Products packed in glass display their appearance to full advantage, and retain their flavor without tainting or spoilage. That's why so many packagers rely on glass to move their products off crowded store shelves. Columbia-Southern has been supplying soda ash—an essential ingredient in glassmaking—to major glass container manufacturers for over 60 years. And Columbia-Southern supplies other basic chemicals, including chlorine and caustic soda, to a broad variety of leading manufacturers and processors. If basic chemicals are important in processing your products, you'll like doing business with Columbia-Southern.

columbia | southern
chemicals

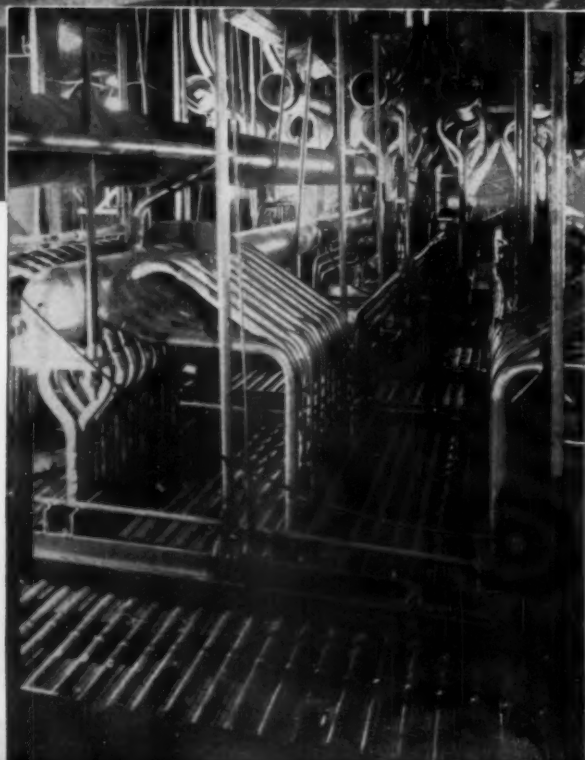
Columbia-Southern Chemical Corporation • A Subsidiary of Pittsburgh Plate Glass Company • One Gateway Center, Pittsburgh 22, Pa. • In Canada: Standard Chemical Limited



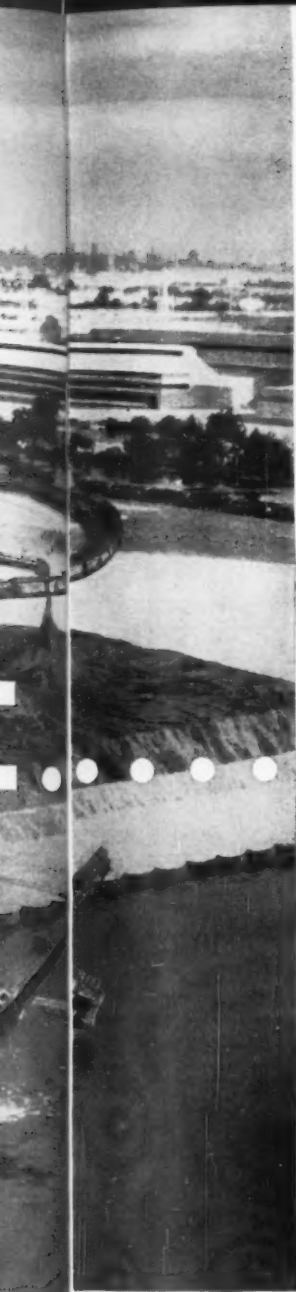


EDDYSTONE..

(Above) The Eddystone station of Philadelphia Electric Company. It contains two 325,000-kilowatt turbine-generators, both utilizing "super-critical" pressure steam supplied by Combustion Engineering boilers of the C-E Sulzer Monotube design.



(Left) Perched atop the furnace roof at Eddystone, this complex maze of headers and tubes is part of the arterial system through which water and steam flow. Each furnace (there are two per boiler) stands as high as a 14-story building. The boiler contains approximately 170 miles of tubing and, when running at full capacity, consumes about 100 tons of coal an hour.



At the Eddystone station of Philadelphia Electric Company, steam, harnessed and squeezed to the record "supercritical" pressure of 5,000 pounds per square inch, is used to spin a giant 325,000-kilowatt turbine-generator—a machine capable of supplying the residential electric needs of a city of about two and one half million people. The steam is supplied by a single Combustion Engineering boiler—a C-E Sulzer Monotube Steam Generator—which, in addition to being the world's highest pressure boiler, is designed to produce steam at a record-breaking 1200°F—a temperature high enough to melt lead, zinc or magnesium. The temperature of this steam so greatly exceeds the capabilities of normal metals that specially compounded stainless steels were developed to contain it. Even they glow a cherry red. This unit was placed in commercial service in February, 1960.

The world's most advanced power station

A second 325,000-kilowatt unit, also operating in the "supercritical" pressure range, was placed in service at Eddystone in October, 1960. It, too, is served by a C-E Sulzer Monotube Steam Generator.

The pressure-temperature conditions of Eddystone No. 1 are equaled nowhere in the world and represent the world's most efficient power plant cycle. The adoption of these new highs by Philadelphia Electric Company exemplifies the continuing efforts being made by the utility industry to assure that electric energy remains the country's best buy.

Thus, as the decade of the sixties begins its second year, power plant progress continues apace. It is gratifying to note that, as in the decade past, boilers designed and built by Combustion continue to account for about 40 per cent of the new capacity being added by America's electric utility industry.

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INVENTORY

PERIOD ENDING 12/31/60 NO. 6

DEPT. 521

LOCATION Demon

PRICED BY 100

EXAMIN

EXTENDI

ENTERED

SHELF

QUAN. cat. no. sell

1 2 31 60 v

5 21 v

185 v

4 1 2 3 2 1 0 v

7 5 2 4 3 2 5 v

5 6 9 8 1 3 5 v

8 5 6 1 6 1 0 v

1 2 5 6 1 0 5 v

4 5 8 9 1 3 5 v

2 5 7 8 1 4 2 v

8 0 4 8 7 *

CAT. NO.	QUAN.	SELL
3132	71	1.85
4123	92	2.10
7524	64	3.75
5698	13	1.35
8561	27	6.10
1256	41	1.05
4589	18	1.35
7578	16	1.42
		804.87

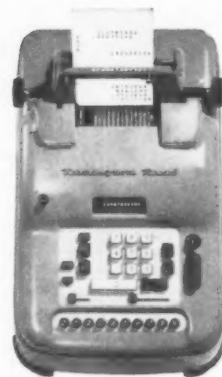
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Convincing way to substantiate facts with clearly printed proof

Only a Remington Rand "99" can print a tape like this! It reads from top to bottom as easily as the final inventory sheet based on it . . . date, department, catalogue numbers, total! A tape anyone can understand—today or next year — no matter how complicated the problem. Why? Because the "99's" exclusive Control Key eliminates confusing figures . . . actually makes operation simpler. For complete information call your nearest Remington Rand Office or write Room 120BW, Remington Rand, 315 Park Avenue South, New York 10, N. Y.

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DIVISION OF SPERRY RAND CORPORATION



NEW PRODUCTS

Map Machine Gets Stereo Eye

Electronic device with stereo vision outpaces human operator in "reading" aerial photos, promises to break bottleneck in making contour, relief maps.

A new map-making instrument that performs electronically a function akin to human depth perception promises to automate, and thus speed up, a key step in the art of constructing contour and relief maps. The device, called Stereomat, was invented by a Canadian engineer, Gilbert L. Hobrough. It will be manufactured by Benson-Lehner Corp., a Southern California data-processing equipment maker headed by Bernard S. Benson, a young ex-missile expert with a philosophical turn of mind.

The importance of such a development for military and industrial uses is obvious. Maps are a basic tool of the military for intelligence and tactical purposes and are indispensable for many commercial and industrial activities, such as oil and mining operations, city planning, highway building, and transportation.

Making a map is a way of taking inventory of some part of the world in order to reshape it, move around in it, or simply know what it contains. The need for maps is steadily increasing.

But in making contour and relief maps today there is one serious bottleneck. Modern map makers depend on aerial photographs for their basic geographical data—airial surveillance is the only efficient way to obtain, and obtain rapidly, the huge amounts of detailed information maps must have. At present, however, the extraction from aerial photos of the land elevation measurements that are basic for contour and relief maps cannot keep pace with either the collection of the photos or the need for more maps. It's this bottleneck that Stereomat aims to break.

• **Hand-Operated**—As things now operate, a manually controlled device called a stereoplotter translates information from the photographs into graphical drawings of a land area's contour lines or its profile. Contour lines, familiar to all users of topographical maps, show the outlines of a terrain at fixed levels—say, sea level, 100 ft. above sea level, 200 ft. above, and so on. Profiles, or cross-sections of the terrain, are needed especially for relief maps.

The stereoplotter works with transparencies made from two overlapping photographs of the same area, taken from slightly different angles. The operator of the device looks at a projected image of the transparencies through

stereo viewing glasses. Thus he has an illusion of seeing the image in three dimensions, and can judge the relative elevations of the terrain.

But in order to plot the contour lines or profile from the stereo image, the operator has to manipulate the equipment in a long and laborious operation. He must keep the projected image in focus by raising and lowering the plotting table, continuously gauge the land elevation, and trace the contour lines or profile with a plotting pen.

• **Simulated Eye**—The bottleneck is the slowness of this manual operation. Until now, it looked as if the human link couldn't be eliminated, for the physiological and psychological phenomenon of depth perception seemed too complex to simulate.

But inventor Hobrough, an engineer with Hunting Survey Corporation Ltd. in Toronto, devised a system that "looks" at the two stereo photos of an area with something like depth perception, follows the terrain automatically, keeps it in focus and traces out the drawings.

In brief, here's how the Stereomat does the trick: A cathode ray tube scans the two transparencies—from overlapping photographs—simultaneously with beams of light. Two photocells receive information from the cathode tube and convert it into two electrical signals. Then the system compares the signals to measure the elevation, and traces out the drawings automatically.

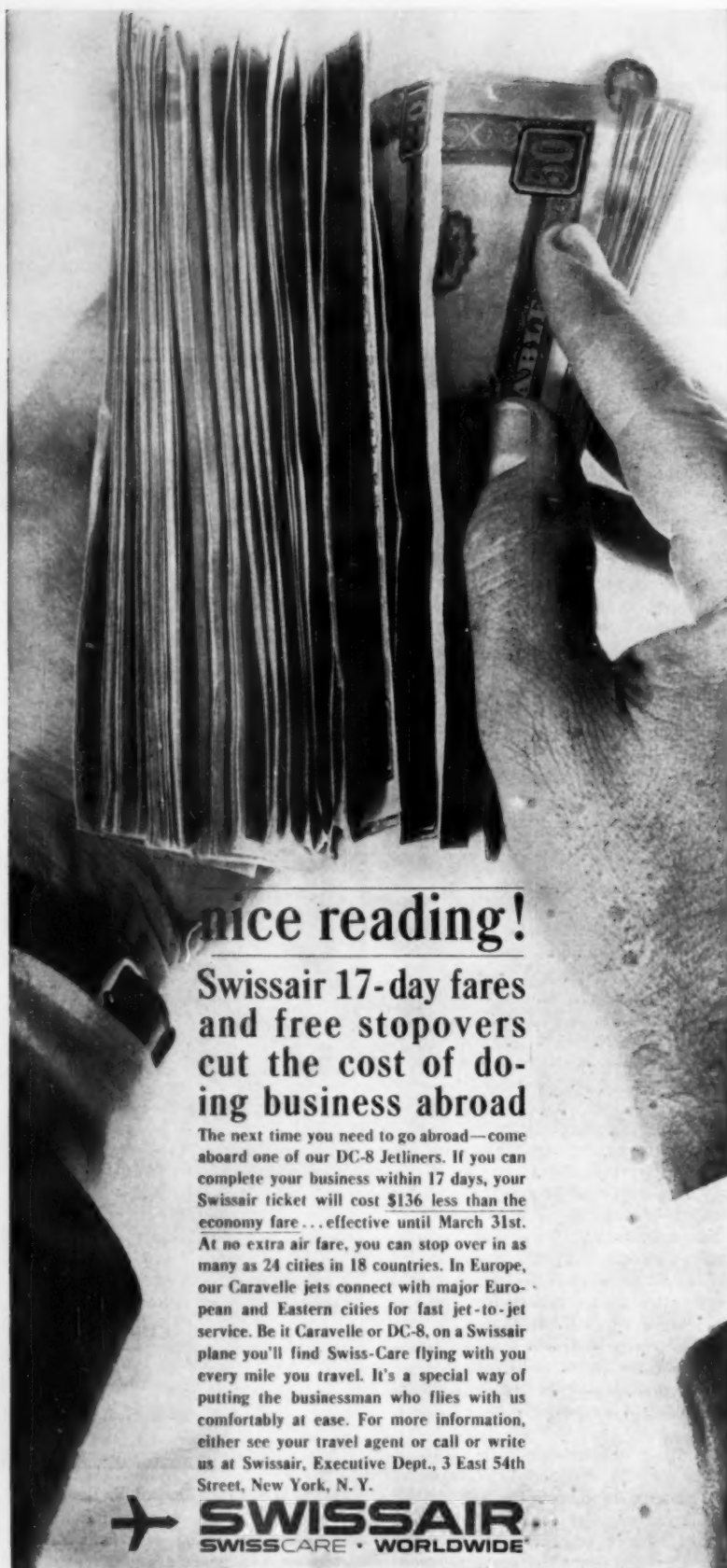
• **Gains**—Since the data about a terrain is in electronic form, it could be fed directly into a computer. Thus, for example, cut and fill instructions for building highways could be computed without even making maps.

Two scientists with the National Research Council of Canada, who evaluated the Stereomat's performance, found that at its lowest speed it does the job two to four times faster than a human operator; with slight loss of accuracy, 10 to 15 times faster. This represents a significant widening of the bottleneck.

• **Egghead Company**—Benson-Lehner, the company that will be making and distributing Stereomats, is perhaps typical of the "egghead" companies now playing an increasing role in the U.S. economy. Its president, Bernard Benson, has become known for his propensity for dreaming up philosoph-




VERSATILE Pres. Bernard S. Benson of Benson-Lehner Corp., who went from missiles to data processing, now finds himself in the map-making field.



nice reading!

Swissair 17-day fares and free stopovers cut the cost of doing business abroad

The next time you need to go abroad—come aboard one of our DC-8 Jetliners. If you can complete your business within 17 days, your Swissair ticket will cost \$136 less than the economy fare... effective until March 31st. At no extra air fare, you can stop over in as many as 24 cities in 18 countries. In Europe, our Caravelle jets connect with major European and Eastern cities for fast jet-to-jet service. Be it Caravelle or DC-8, on a Swissair plane you'll find Swiss-Care flying with you every mile you travel. It's a special way of putting the businessman who flies with us comfortably at ease. For more information, either see your travel agent or call or write us at Swissair, Executive Dept., 3 East 54th Street, New York, N. Y.

 **SWISSAIR**
SWISSCARE • WORLDWIDE



CATHODE-RAY tube, resting on map table, is heart of Stereomat; it scans transparencies of aerial photos with light beams.

ical systems for running the company.

At 21, Benson was head of a project in Great Britain for designing an anti-aircraft missile that would stop the German V-1 and V-2 rockets. He came to the U.S. in 1946, used his missile knowledge in the Nike-Zeus program. In 1950 he teamed up with Dr. George Lehner, a psychologist, to form a company working in the field of cybernetics—the study of communication and control in man and machine, from which the theory of computers emerged.

• **Goals**—But Benson decided that computers themselves were not for his company. He felt their high development cost and high obsolescence rate ruled them out for a beginning technological outfit.

Instead, Benson headed the company toward development of the peripheral equipment for collecting, feeding, and displaying the data that computers process. Benson-Lehner makes, for example, precision high-speed cameras for the acquisition of data; film readers to evaluate it; input devices to feed it into computers; electroplotters to display it as computer output. Though computers change rapidly, says Benson, the parts that connect them to the outside world are relatively stable.

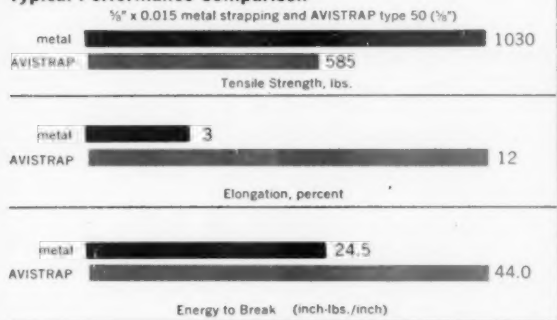
In taking on the Stereomat—essentially a data-handling device—Benson sees his bet well-hedged. "If the arms race continues," he says, "we'll look at targets. If disarmament comes, we'll need aerial surveillance even more, to prevent surprise. If neither situation occurs, there is still tremendous peacetime use."

Benson-Lehner is developing production models of the Stereomat right now, expects to have the device on the market by the middle of 1961. **END**

NEW TOUGHNESS

It actually takes more energy to break AVISTRAP cord strapping than to break comparable-width metal strapping. Though metal has greater tensile strength, AVISTRAP—made of high-tenacity Avisco® rayon—has greater “working toughness.” Strapping must either extend enough to absorb shock-energy or fail. Metal strap has far less elongation before breaking than AVISTRAP. As a result, AVISTRAP is still stretching, soaking up energy, and holding the package together after a metal strap would have stretched to its breaking point and failed.

Typical Performance Comparison



Vital statistics. This comparison is the result of careful laboratory tests, using an Instron Tensile Testing Machine. In tests covering metal strapping from $\frac{1}{4}$ " through $\frac{3}{4}$ " width and from 0.012 through 0.023 thickness—AVISTRAP outperformed metal in terms of energy to break in every instance.



Toughness pays off here. AVISTRAP can be tightly tensioned without danger of sudden breaks, will not lash out with jagged ends. Strap breakage during handling and shipping is reduced. Other advantages: no sharp edges, light weight, easy handling, easy unpacking.

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Economy • Local Service • Easy Handling • Reduced Damage • Safety



Write for technical bulletin #4, covering AVISTRAP cord strapping strength tests. Include any other specific technical questions you may have. If you wish, arrangements can be made to demonstrate AVISTRAP cord strapping in your plant. AVISTRAP cord strapping, tools, accessories and application services are now available in all major U.S. industrial areas, through authorized local distributors. AVISTRAP district offices are listed below.

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In Business Abroad

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Britain Steps Up Exports to Russia; New Machinery Order Announced

British exports and re-exports to Russia for the first 10 months of 1960 were worth about \$129-million, against about \$72-million for the same period last year, according to the latest British Board of Trade figures. Re-exports account for about 40% of the increase.

More British goods will be going to Russia, most likely. This week, David Brown Industries, Ltd., announced that it has signed a contract with Stankoimport, Russia's tool export-import agency, to sell \$1.4-million worth of precision gear hobbing machines.

These machines are equipped with electronic control systems not available in the Soviet Union. Another \$700,000 order is under negotiation.

The Russians are also reported to be interested in buying machine tools from several U.S. companies.

Earlier this year, a report prepared by a Columbia University professor for the European Productivity Agency blew up a storm when it claimed that the Russians are well in advance of the West in machine tool design and production.

Britain's largest chemical company, Imperial Chemical Industries, Ltd., is trying to increase its sales behind the Iron Curtain. ICI Chmn. S. P. Chambers is now visiting Moscow as a guest of the Soviet government.

British exports of chemicals to Russia were worth \$14-million for the first 10 months of 1960, up from \$7.6-million for the corresponding 1959 period. According to Chambers, exports to Russia of ICI chemicals alone will be \$8.4-million, against \$5.6-million last year.

• • •

Australia and New Zealand Slated For Joint U.S.-British Aluminum Venture

Kaiser Aluminum & Chemical Corp. last week revealed an equal partnership with Consolidated Zinc Corp., Ltd., of London and Melbourne, to develop a fully integrated aluminum industry in Australia and New Zealand.

Kaiser Pres. D. A. Rhoades announced that Kaiser will spend \$10-million next year to get the six-year project started. Rhoades and Consolidated Chmn. L. B. Robinson were unable to put a final price tag on the venture, but it should exceed \$300-million. In immediate prospect are:

- Development of bauxite mining reserves and construction of a 400,000-ton alumina plant on Australia's Cape York peninsula.

- On the South Island of New Zealand, a 280,000-kw. hydro power generator and an aluminum reduction plant with 135,000 tons of ingot capacity.

- In Tasmania, expansion of a government-owned reduction plant from 13,000 to 31,000 tons.

Consolidated has mining concessions on Cape York

MORE NEWS ABOUT BUSINESS ABROAD ON:

- P. 82—Ford's takeover of its British subsidiary is part of U. S. boost of its investment stake in Britain.

with reserves of 2-billion tons of bauxite. The bauxite will be refined near the mines, and the resulting alumina will be shipped to the reduction plants in New Zealand and Tasmania.

The immediate market will be eastern and southern Asia, where consumption of primary aluminum has risen from 182,000 tons in 1958 to 245,000 tons this year.

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U. S.-Type Self-Service Markets

Catch On in Europe, Survey Shows

Family marketing habits in Europe are becoming more and more like those in the U.S. The number of self-service shops in 13 European countries has increased from 164 in 1948 to 36,294 in 1960.

These figures are the result of a just-published survey made by the Organization for European Economic Cooperation. The aim of the survey was to make available to shopkeepers throughout Europe the experience gathered over the past 12 years.

The report covers size of shops, installation costs, special problems in selling fresh foods, and the comparative costs of self-service and counter service.

• • •

Latest Step in Philippines Decontrol

Gives Foreign Investors a Break

The second phase of the Philippines' program to decontrol its economy went into effect this week, giving a break to foreign investment funds entering the country.

The new ruling allows foreign investors to buy 100% of their pesos at the free market rate of three pesos to one U.S. dollar, compared with only 30% previously. The official rate is two pesos to the dollar.

A surprise to most businessmen in the Philippines was the reduction in the tax on foreign exchange purchases from 25% to 20%.

The Central Bank's Monetary Board earlier this year established multiple exchange rates to allow the peso to find its own level in world markets (BW—May 21 '60, p175), freeing 25% of the foreign exchange transactions each year until 1964. The move amounts to a gradual devaluation of the peso.

Most businessmen hail the moves as leading to an end to restrictions against private enterprise. They feel that red tape will be cut and temptations of graft reduced.

Exporters and producers are happy with the latest steps since they will now receive the three to one rate for 50% of their exports. Most importers are pleased, although the new regulations will increase the cost of imports. They must now pay for half of their imports at the free market rate. But they feel that any freedom from controls is a step in the right direction.

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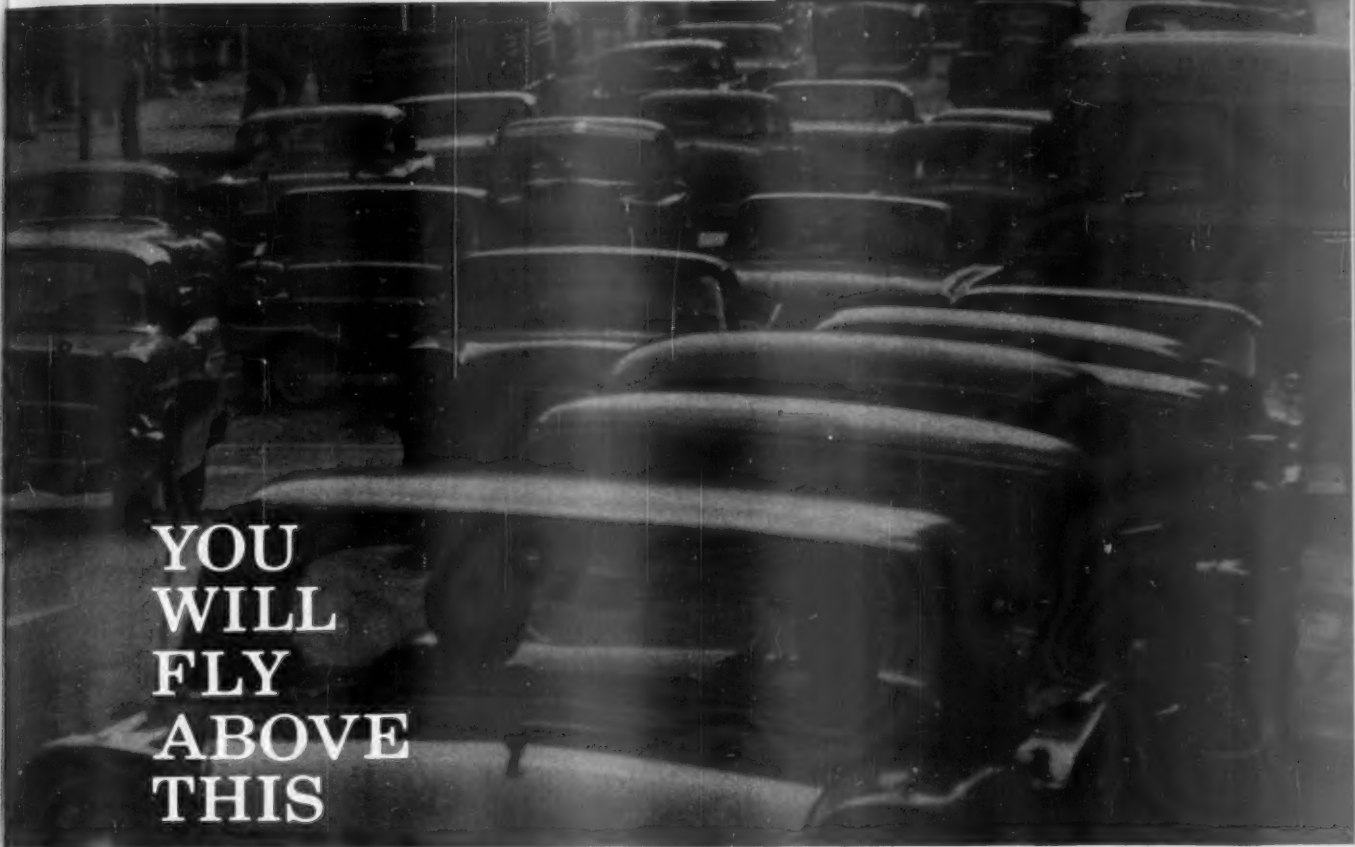
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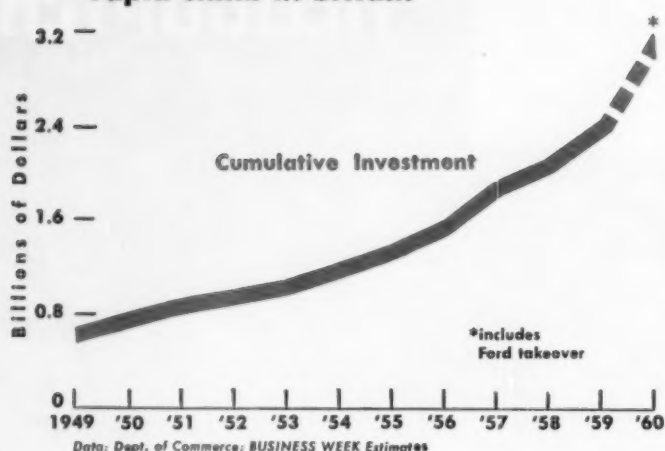
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U.S. direct investment continues rapid climb in Britain



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11%	CHEMICALS
14%	MACHINERY
18%	AUTOS, ETC.
20%	OIL-REFINING
15%	OTHER INVESTMENT

Why Companies Like Ford Are

More and more U.S. companies are taking full ownership of their British subsidiaries—which are often growing faster with higher profit margins than the home company.

Judged by the political furor it created, Ford Motor Co.'s bid for complete control of its British subsidiary (BW—Nov. 19'60, p. 50) stands out as an unusual episode in the postwar migration of U.S. industry overseas.

However, there is nothing exceptional in Ford's takeover bid or in the approval it received last week from the British government. Other U.S. companies have taken the same course in Britain during the past two or three years, and more may try to follow suit. Ford's bid differs primarily in the amount of money involved: \$363-million in additional investment to acquire the remaining stock of Ford Motor Co., Ltd., of Dagenham, England.

• **Growing Investment**—Like Ford, dozens of U.S. companies have invested increasingly in expansion of British operations or in getting their first foothold in British industry.

As the chart above shows, the total value of U.S. direct investment in Britain has grown steadily since 1949, has more than doubled since 1956. About 25% of the nearly 900 U.S. companies now operating in Britain have made their entry since 1950. About half of the companies are in manufacturing and oil-refining, which together account for 85% of the total investment. The five biggest in terms of assets are Standard Oil Co. (N. J.), Ford, General Motors Corp. (through

Vauxhall), Socony Mobil Oil Co., and Monsanto Chemical Co.

Last year, new U.S. capital outlay in Britain set a year's record of \$328-million. One big deal was the \$55-million investment by Reynolds Metals Co. in a joint purchase (with Tube Investments, Ltd.) of British Aluminium Co., Ltd. Another was Timken Roller Bearing Co.'s \$30-million investment in taking over complete ownership of its British subsidiary.

Other major investments of the past two years include Magnavox Co.'s purchase of a majority interest in Collaro Co., maker of phonograph components and employer of 2,000 workers; Dynamics Corp. of America's acquisition of Winston Electronics, Ltd., and American Machine & Foundry Co.'s purchase of Robert Legg, Ltd., a manufacturer of tobacco machinery.

• **New Record Sure**—Even before Ford made its big decision, 1960 seemed certain to set another record for a year's U.S. investment in Britain. The U.S. Dept. of Commerce estimated this fall that the year would show an additional U.S. outlay of \$400-million, of which 75% would be in manufacturing and most of the rest in oil-refining. If the Ford deal is completed this month, the total would soar to \$700-million.

This figure is based on a net transfer of \$300-million by Ford Motor Co.,

allowing for the estimate that 15% of the British company's stock is already held by American investors aside from Ford.

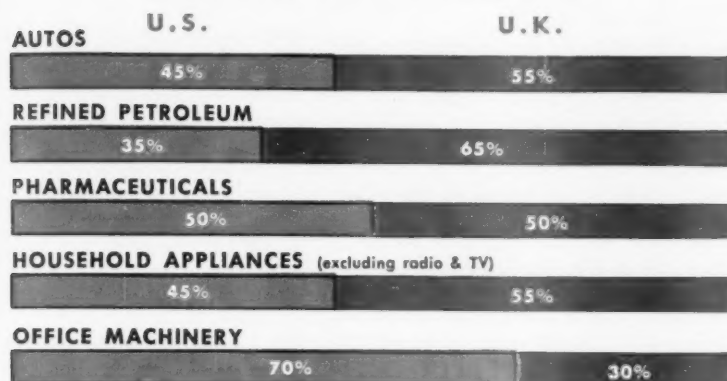
• **Behind Ford's Move**—Ford has expressed some of its reasons for wanting full control of its British subsidiary. Chmn. Henry Ford II has spoken of the advantages he expects in greater flexibility in coordinating the company's worldwide operations at a time when the auto market is growing far faster outside the U.S. than at home.

However, you can look beyond such statements of broad objectives to see that an increasing percentage of Ford sales and profits is coming from operations in Europe, especially in Great Britain. Over the past three years, for example, British Ford's return on assets has averaged 14.9%, compared with 10.7% for company operations as a whole (including foreign).

Moreover, sales by Dagenham, as British Ford is called, are growing faster than those at home. From 1950 to 1960, sales of U.S.-built Ford autos and trucks have risen only 10%; British Ford's sales, 150%. In 1950, Ford produced 10 cars in the U.S. for every one in Britain, this year the ratio is around four to one.

• **Common Experience**—Ford's profit picture is not unique. The same disparity between British and domestic return on net assets emerges in totals for all the U.S. manufacturing and petroleum companies that have subsidiaries or branches in Britain. In 1958-59, their British operations earned an average of 16%; U.S. industry as a whole earned about 11%. (U.S. manufactur-

And U.S.-financed companies account for these shares of British output...



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Expanding in Britain

ing and oil companies operating in the six-nation European Economic Community also averaged earnings of about 11% on net assets.)

In other ways besides profits, U.S. companies in Britain also surpass their domestic performance. This is true in such measures as employment, total output, and export sales.

U.S. manufacturing and oil companies in Britain employ about 400,000 workers there—a 33% increase since 1955. Total output of these companies probably will reach about \$5-billion this year—almost double the 1955 figure (BW—Mar.31'60,p132).

• **Cause to Expand**—According to Prof. John H. Dunning of the University of Southampton, a leading British authority on U.S. investment in Britain, the expansion wave has been swelled by four changes in the last half-dozen years:

• In expanding, U.S. companies brought their British operations up to a size where they could compete in efficiency with their U.S. operations. Yet average wages remained about 33% less than in the U.S. Thus, the average company in Britain runs costs 20% lower than those of the U.S. parent.

• The British government has dropped currency restrictions and has stopped regulating what U.S. companies could import into Britain and how much of their British production they had to export.

• Two out of three companies that have operated in Britain for ten years have increased their share of the British market in that time (chart, this page).

• Sales of products back to the

U.S. have risen steadily to an estimate of \$250-million this year.

• **Three Possibilities**—In view of facts like these, some British observers expect other U.S. companies to follow Ford and Timken in acquiring full ownership of British subsidiaries. They point to three subsidiaries where there might be good reason for such moves, assuming the U.S. parent has the money available:

Hoover, Ltd., 67.6% owned by Hoover Co. With net assets of about \$60-million, the British subsidiary is larger than the U.S. company; it sometimes provides a rate of return on assets more than double that of the U.S. company.

Monsanto Chemicals, Ltd., 66.7% owned by Monsanto Chemical Co. It has net assets of \$80-million. In this case, the rate of return is less favorable in Britain than in the U.S., but this is largely because the subsidiary is expanding so rapidly. Its sales, though, are growing considerably faster than those of the U.S. company.

F. W. Woolworth & Co., Ltd., 52.7% owned by F. W. Woolworth Co. It also has net assets of \$80-million; on its assets, it has been earning a 17% return, compared with 7% for the U.S. parent company.

• **No Automatic O.K.**—If any of these U.S. parents, or a dozen others in comparable positions, should make bids to take over full control, it would not necessarily follow that the British government would approve. In giving its O.K. to the Ford deal, the government made clear its concern, reflecting public uneasiness, over the prospect of a flood of U.S. bids for British companies.

Chancellor of the Exchequer Selwyn Lloyd told the House of Commons that in approving Ford's bid, he was dealing only with the merits of one case. "In another one," he added, "the balance might point the other way."

• **Against a Trend**—In some ways, of course, Ford's takeover cuts across the current trend of U.S. industry's investment in overseas operations. Most companies that put money into facilities in Western Europe or Latin America prefer these days to establish a joint enterprise with local investors. Often the U.S. company takes a minority interest. Such a course usually averts the kind of nationalistic uproar that greeted Ford's move in Britain.

In Britain, however, the trend may be toward greater, not less, control from U.S. headquarters. That could put the British government in a ticklish position.

On the one hand, it will have to reckon with the political consequences of letting many more British companies fall under complete control of U.S. parents. On the other, it won't want to give up the British economy's undeniable gains from keeping the door open to U.S. capital and industrial knowhow.

• **National Benefits**—Probably, direct investment by the U.S. has done as much to strengthen the British economy since World War II as all the money poured into Britain by the U.S. government under the Marshall Plan. In employment, output, and sales, U.S.-financed companies have grown much faster than British industry as a whole. They employ no more than 5% of the nation's industrial work force, yet they will account for about 13% of Britain's total exports this year—some \$1.5-billion in overseas sales.

British Ford is an example. Last year, it earned more U.S. and Canadian dollars by its exports than were remitted back to the U.S. in profits by all the U.S. manufacturing companies in Britain put together. Even if these companies step up their remittances to the U.S., no British government can ignore the contribution they make to the strength of sterling.

Nor can British officials ignore the probability that if they stand in the way of business deals, much U.S. capital and knowhow would go instead to the European Economic Community. Right now, U.S. investment in Britain is higher than in the six EEC countries combined, and it is still rising faster. According to Dunning, U.S. investment in Britain last year came to nearly \$50 per capita, compared with only \$13 in EEC as a whole.

During the 1960s, Dunning adds, the tendency will be for U.S. companies to push their investment in EEC nations up to the British level. **END**

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*National Marketing Reports, Inc.

INTERNATIONAL OUTLOOK

BUSINESS WEEK

DEC. 3, 1960



Add a new word to your vocabulary, another "ism." This one is "Fidelism," or "Fidelismo," as the Latin Americans call it. You'll be seeing it often in coming months.

Fidelism is the Castro-style revolution that's followed by a left-wing, Communist-influenced, perhaps Communist-controlled, government. Fidelism promises one thing but means another:

- It promises economic and social reform—redistribution of land and property, better housing, education, employment, medical care. That's its appeal to impoverished masses throughout Latin America.

- It means totalitarianism—political domination of society and governmental control of the economy. For U.S. and other foreign investors, it most likely means confiscation of property.

This week, Fidelism made a big splash in Venezuela. Left-wingers rioted in the latest of the increasingly violent disturbances aimed at destroying confidence in constitutional government and wrecking the economy as a prelude to a leftist coup.

Venezuelan Pres. Betancourt probably will survive these tests. But his moderately left two-party coalition government is dependent for power on the army, which Betancourt called in to restore order. The army is sticking with Betancourt as the only alternative to a Marxist regime and will not try to take over itself.

Indeed, the Fidelistas and Communists opposed to Betancourt are trying to provoke a right-wing coup. They are confident that they could take control of a popular insurrection that would rebound against such a move.

Fidelism appeared earlier in Central America. It played a large part in the recent coup in El Salvador and the unsuccessful uprisings in Guatemala and Nicaragua, although Washington at first discounted Cuban influence in these upheavals.

At the moment, Fidelism is operative mostly by the example of the Cuban Revolution. Castro is not yet strong enough to export his revolution directly. In Guatemala, however, the government has captured Czech arms, which came to the rebels from Cuba.

Fidelism is not yet a forest fire raging through Latin America. But several bonfires are lit. In Haiti, Castro-inspired students have been demonstrating; in Bolivia, there were anti-Yanqui outbursts a few weeks ago. Elsewhere embers are smoldering—in poverty-stricken areas of Brazil, and in Honduras, where U.S. officials fear the next Central America flare-up.

—•—

Washington isn't worried by this week's Soviet demand that the United Nations should withdraw from the Congo. Moscow has taken this tack before, without getting anywhere.

U.S. officials doubt that Ghana, Guinea, and the United Arab Republic will back Moscow to the point of pulling their forces out of the Congo. That would simply eliminate their influence in that country. Nor do U.S. officials believe these nations would support a secessionist Lumumba regime in Oriente province, where the ex-premier has his main support. There have been reports that Lumumba, who has disappeared from Leopoldville, might try such a move.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

DEC. 3, 1960

Still, Washington was edgy at midweek about Lumumba's whereabouts. If he escapes capture by Col. Mobutu's forces and reaches his home base, Lumumba would have two choices. He could go as a provincial boss to Pres. Kasavubu's proposed conference of Congolese leaders, and there accept some role in a new government. Or he could decide to establish a secessionist state, then call on Moscow for all-out support.

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The mid-December NATO meeting in Paris probably won't get very far with the big issue now confronting the Atlantic Alliance—whether NATO should have a nuclear deterrent of its own. There just isn't time to clear up all the problems involved.

Gen. Norstad, NATO's Supreme Commander, has been plugging the idea that there should be a nuclear deterrent, say a fleet of Polaris submarines, under his wing or that of his successor. Then, in any emergency, our European allies would not have to rely so completely on Washington's readiness to have the U. S. itself involved in a nuclear war.

The problem, for the moment, is what position Washington will take. And that won't become clear until the new Administration takes over. There's even some speculation in Paris today that, before making his position clear, Pres.-elect Kennedy may take a crack at reaching a disarmament agreement with Moscow.

There are other problems, including the need to get approval from the U. S. Congress. Then, in Europe, there seems to be as much opposition as there is support.

West Germany is backing Norstad, partly because the growing German army will want nuclear weapons before long and can't expect to get them except under a joint NATO setup. But Britain, Norway, and Denmark are cool, while France is off on a nuclear kick of its own.

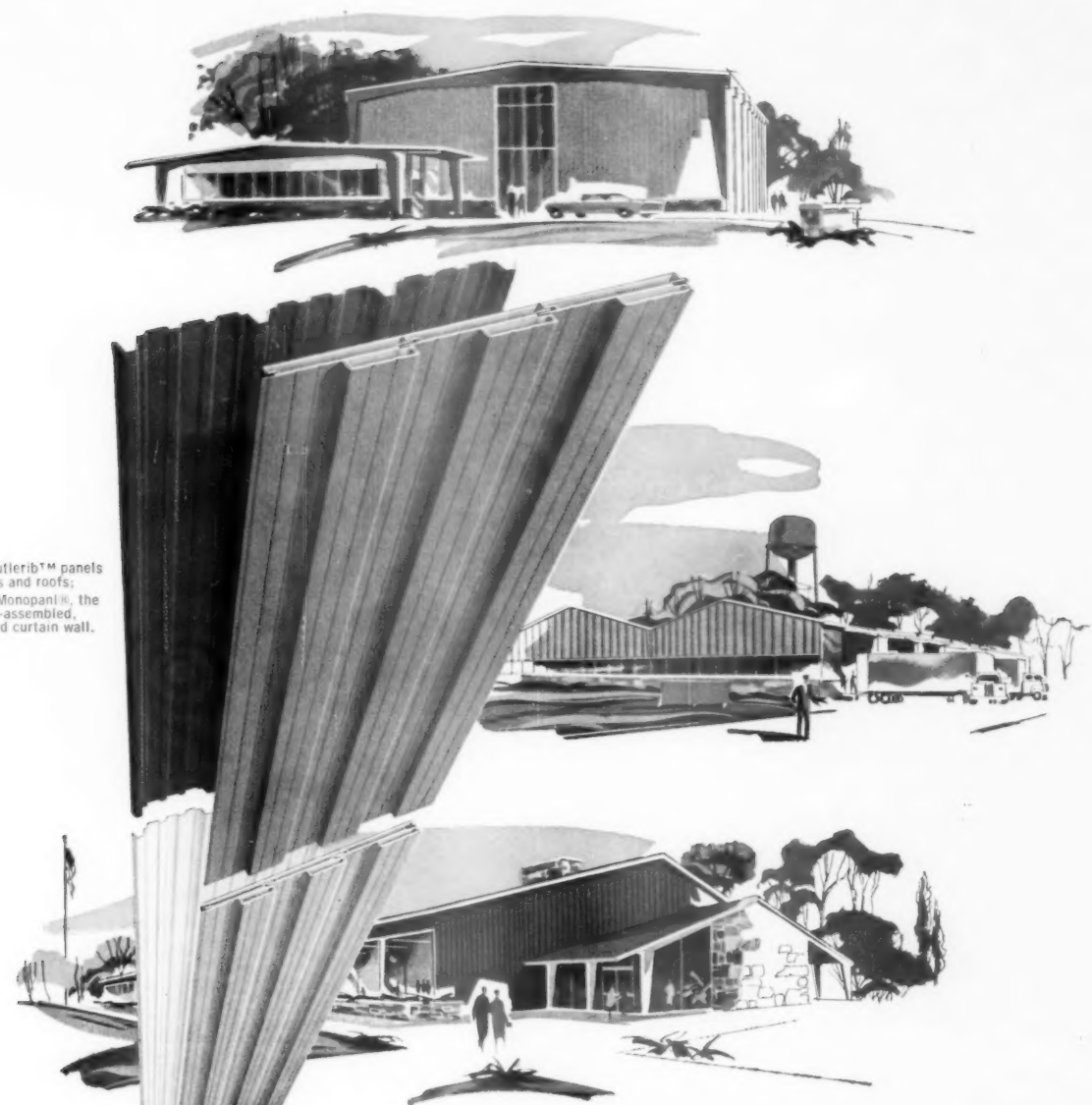
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In Moscow, the long Russian-Chinese ideological and policy struggle was moving toward a climax at midweek. Khrushchev and his aides, after more than three weeks of bitter infighting, were still in session with Communist leaders from around the world.

Barring an open break between Moscow and Peking or complete capitulation by the Chinese—both unlikely possibilities—the outcome of the conference is going to be hard to figure. But you can be sure of this: A compromise agreement will mean some loss of face for Nikita Khrushchev, and quite a victory for Mao Tse-tung.

Khrushchev has been demanding that the Chinese go along with his strategy of peaceful coexistence, which boils down to world revolution without pushing things to the brink of nuclear war. Mao wants to push the revolution, regardless of the risks. The question now is how much political cooperation Khrushchev will get from the Chinese.

Khrushchev's approach to the new U. S. Administration—hard or soft—may give the first real tip on how much he must defer to Mao's hard line. There are indications that the Chinese leader has given Khrushchev a relatively free hand with his coexistence policy—but has set a time limit within which he must show results.



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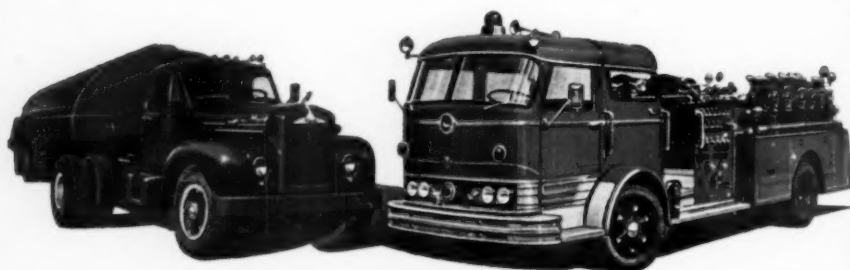
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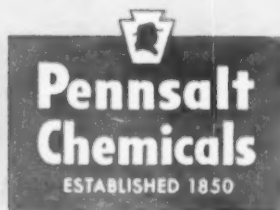




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Snipe Attack on Tax-Exempts?

Some bond men fear Democrats might try to alter tax-exempt status of some state and local bonds. They feel local issues to finance private plants will be major target.

For years, municipal bond issuers and investors have been plagued by fears that local and state bonds might some day lose their tax-exempt status. Immunity from federal taxes, of course, has been a big selling point for municipal underwritings, and is largely responsible for the favorable response to the increasing number of issues coming to market. Sales of new municipal bonds for the first 10 months of this year totaled \$6.22-billion; last year's total was \$7.6-billion.

Until now, political pressures from the various states have been more than enough to offset any challenges to tax immunity. But this week, at the annual convention of the Investment Bankers Assn. in Hollywood Beach, Fla., the threat to immunity felt like something more than a straw man.

• **Democratic Hostility**—The worrier's case was put by Alan K. Browne, vice-president of Bank of America National Trust & Savings Assn. and chairman of IBA's municipal securities committee. Browne said that the election of John F. Kennedy and a Democratic Congress is sure to bring fresh attacks on the tax-exempt status of states and local communities. The Democrats have a long history of hostility toward tax-exemption, and although Browne doesn't really fear an all-out frontal attack, he does expect them to try to cut down on tax exemption piece by piece.

IBA is particularly worried about what could be the Achilles heel of the municipal business: the use of municipal credit to finance construction of private industrial facilities. In a number of instances, underwriters feel the bond projects have been unsound. But more than that, they fear abuses in the tax-privileged status of states and local communities eventually will lead to a lifting of all tax immunity on municipal projects. Browne, for one, thinks that one of the first tasks of a new federal Dept. of Urban Affairs would be a hard look at just this problem.

• **Farming Out Credit**—The use of public bonding for private companies is familiar in U.S. financial history. But it has become more common in the past few decades as states and local governments woo new industry—or try to keep existing industry happy. More than a half dozen states, mostly in the South, have turned to "municipal-in-

dustrial" financing devices to lure new corporations and diversify their agrarian economies.

The local governments, in general, sell bonds to finance plant construction for use by an industrial corporation. The plant is then leased to the corporation, which pays rent to the municipality. The bonds often are payable out of the net revenues of the corporation, so it gets to be a subtle question at times who actually is the borrower.

In many cases, industrial development financing has been well handled, and no doubt has arisen of the validity of the tax-exempt status. But in some, the credit of the municipality is not involved; the underlying credit is the industrial corporation's. And in these instances IBA members believe tax privileges are vulnerable to attack.

Many bond underwriters believe this move to farm out the tax-privileged credit of local governments has gone too far, that it creates a risk for all projects now enjoying tax exemption.

• **How Sound?**—Beyond that, IBA members insist that there is a real question about the economic soundness of the revenue bond issues sponsored by some municipalities. These depend solely on the continued solvency of the corporation lessee of an industrial plant. IBA men ask: What would happen if, in a deep recession, the lessee had to fold? Austin Tobin, Jr., of W. H. Morton & Co., points out, too, that if the municipality's credit is at stake behind the bond, then its whole financial and tax structure could be endangered.

To make their point stronger, bond underwriters are quick to cite a report made a number of years ago by Robie L. Mitchell, of Mitchell, Pershing, Shetterly & Mitchell, a New York law firm. The Mitchell report covers three major periods of municipal default in the U.S.—each coming after an era of heavy public indebtedness for the purpose of aiding private enterprise. One started in 1837, when many canals, turnpikes, and railroad companies went bankrupt. The second, in the 1880s, came as a result of subsidized railroad expansion. The third came in the early 1930s, when the land boom burst—and some \$2-billion in municipal bonds went into default.

• **The Public Purpose**—The Mitchell

report also questioned whether some of the revenue bonds are really for a proper purpose. The same issue is alive today, but this is more a question for the courts than anything else; a state can always legislate that industrial development is a public pursuit. Already, the Supreme Court and a number of state courts—Idaho most recently—have ruled against tax immunity for certain state projects.

Browne of Bank of America echoes the fears of many bond underwriters when he suggests that municipal-industrial financings might invite regulation by the Securities & Exchange Commission and state regulatory authorities. In one instance, Florence, Ala., financed the construction of a plant for a private company through the sale of bonds—payable out of the company's earnings. To sweeten the offer, the city made the bond exchangeable for the common stock of the corporation.

• **States' Rights**—The chief argument against the new wave of Southern financings, though, rests on the tax question. If the states and municipalities have used the doctrine of sovereignty to shield ventures into private financing, so the reasoning goes, then the doctrine that the federal government should not interfere (through the levying of taxes) with the power of a state or its municipalities to borrow money also deserves new consideration.

To head off this threat, the IBA is attempting to get its members to soft-pedal such financings. Many of the big underwriting houses won't bid on issues they think involve a clear-cut abuse of tax privileges; the big rating firms also ignore them. But there is a gray area, and many houses—particularly local firms—bid on these issues and sell them.

• **Increased Taxes**—IBA's members admit that they favor continuation of tax exemption because it means profits to them. But they also contend that if tax exemption, as a whole, is eliminated, the federal government simply will have to give the states other financial help. Richard C. Munden, deputy state treasurer of California, also fears that it will mean states will have to levy additional taxes to meet increased debt costs.

Other state treasurers take the same position. They feel that if tax exemption were lost, the big municipalities might not find it difficult to find funds, provided they were willing—and legally permitted—to pay higher rates. Smaller and less well-known communities, however, whose credit ratings do not command ready acceptance, would be seriously impaired in their trips to the public market. **END**

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Wall St. Talks . . .

. . . about Gabriel Co., how Ford surprised the Fed, U.S. subsidiaries in Canada, airline financing.

Gabriel Co. in Cleveland is negotiating for the sale of its electronics division in Boston. Stock analysts believe Gabriel's stock—trading at 13½, down from a 1960 high of 21½—could be helped by the move, since competition has hurt the electronics unit's profits.

Ford Motor Co.'s announcement that it would bid \$358-million for its British subsidiary (BW—Nov.19'60,p50) is said to have come as a jolt to top Federal Reserve officials. The Fed, in the past few years, has suggested that corporations contemplating major investments overseas notify it in advance, so the Fed could keep a check on capital flowing abroad. But Ford played it close to the vest.

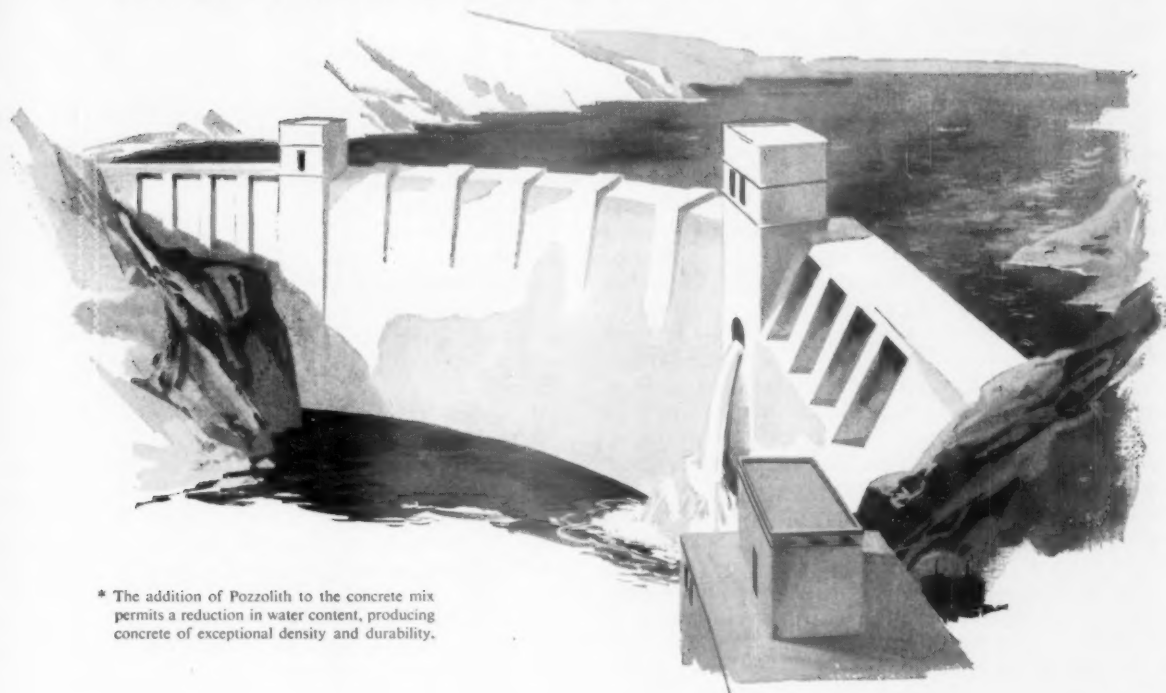
Speculators are tuning to the Australian stock market, now that the steam has gone out of European stocks. Australian issues have moved up sharply in the past few weeks, still are about 20% below 1960 highs. Many issues are thin and highly volatile.

The Canadian government's drive to curb what it considers U.S. domination of Canadian industry (BW—Nov.26'60,p31) may include taxes as well as other measures. Canadian bond houses suggest the government may clamp a special tax on U.S. company subsidiaries.

A new study on airline financing, prepared by an Investment Bankers Assn. group, says airlines are in a period of financial crisis. It claims the airlines and aircraft manufacturers are "almost bereft of earnings," and that the airlines are carrying "extremely heavy debt." The report urges a review of the whole situation. Meanwhile, a new proposal was made for financing Trans World Airlines, Inc.'s jet fleet, which could include Henry Crown, Chicago industrialist and a big stockholder in General Dynamics Corp., from which TWA has ordered 23 Convairs.

The Kratter Corp., a real estate company, which already has picked up 110,000 shares of Jacob Ruppert, the brewing company, in the open market, is negotiating to acquire a block of stock that would give it a majority of the brewery's 495,000 shares. A big lure: Ruppert's large real estate holdings.

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In the Markets

Stock Prices Take Another Skid, Year-End Rally Might Not Come

Stock prices weakened this week, and for the first time since early November, the Dow-Jones industrial average closed below 600. Many brokers expect prices to decline still further, now that the market has gone below this level. And although they don't look for a real collapse, more brokers are beginning to doubt that the usual year-end rally will materialize; if it does, they say, it won't have any real push.

Strength in the market is coming chiefly from specialty issues. A recent study of the best acting issues of the year showed that the top 10 were all more or less specialty stocks—Lionel, Decca, NAFI, Universal Pictures, Brunswick, Montecatini, Monterey Oil, Crowell-Collier, Telautograph, and Corvette. Brokers report that demand for this kind of stock is still strong, but they say that demand for blue chips is soft—except from some institutional investors who are attracted by higher yields.

The majority of stock analysts making public predictions lean toward the belief that many stocks are in—or approaching—a buying range. They believe the outlook is for a broad trading range, with generally rising prices. But there are some impressive dissenters. Arthur Wiesenberger & Co., for one, suggests a cautious investment policy until the stock market offers a clear buying opportunity, probably by a sharp decline. Moody's also feels the market is not in a very attractive position, but says selective buying can be profitable.

National Aviation Offers Shareholders Capital Gains Dividend in Cash or Stock

National Aviation Corp., a \$19-million closed-end investment company that invests in airline, aeronautic, and space issues, has adopted the practice of giving stockholders the option of receiving their capital gains dividends either in cash or in stock.

The practice, first started by Lehman Corp. three years ago, is growing more common among closed-end funds. However, Tri-Continental Corp., the biggest diversified closed-end, does not distribute any capital gains dividend, reinvests the money directly.

The option offers no tax advantages; the capital gains distribution is taxable whether it is paid in cash or stock. But it does offer three other advantages to National Aviation stockholders:

- If they take stock, they get shares at a bargain price when the shares are selling at a premium over net asset value, since the dividend is declared at net asset value or market value, whichever is lower. (National Aviation traded this week at 30½, about 5% above net asset value.)

- It allows shareholders to acquire stock without paying brokerage charges.

- It provides a reinvestment program, roughly similar to that provided by open-end funds, that helps shareholders increase their holdings at the same time the investment company is building its funds.

U.S. Gold Moves and European Slowdown Give Foreign Markets the Jitters

A case of jitters hit foreign stock markets late last week, producing sharp breaks in the London and Tokyo markets, milder sell-offs in Germany and other countries. Stocks recovered somewhat at midweek, but brokers feel the declines signal the end—for the moment anyway—of the sharp rise in foreign markets.

The selling wave was attributed to a combination of nervousness over Pres. Eisenhower's program to stem the outflow of gold (BW—Nov.26'60,p28) and a slowing down of the European boom.

In Germany, for instance, stocks rallied after what one broker termed the "fiasco of the Anderson mission," but then dropped again in reaction to uneasiness over the possible effects of recalling U.S. dependents of military personnel. Similarly, the sharpest declines in Tokyo were in shares of auto makers and heavy equipment manufacturers who supply vehicles and equipment to U.S. forces in Japan.

In London, however, the drop was chiefly the result of internal factors. Brokers cite an unfavorable trade balance, softness in appliances, and a slumping auto industry.

The Markets Briefs

A Boston University law professor, Robert Liberman, and John Magee, a well known stock market technician and author, have formed Technical Fund, Inc., the first mutual fund to specialize in put and call options. Fund adviser is Delta Management Corp. Liberman owns 30% of the stock, Magee, 43% and Delta will use Magee's chart method of selecting stock as its chief investment policy tool. Delta's annual fee: 10% of the aggregate of dividend income, interest income, and investment profit of the fund—including unrealized gains.

Chmn. Edward N. Gadsby of the Securities & Exchange Commission has sounded a warning to real estate syndicators. Many syndicate deals, says Gadsby, were not registered with the agency when they should have been. But he says SEC can't be expected to continue to "countenance evasions" of registration requirements. In a speech to real estate men in New York, Gadsby also reminded them of the civil liability in the sale of securities without registration.

Taking its cue from the New York Stock Exchange's selection of Keith Funston as president, the Toronto Stock Exchange this week chose as president a man with no previous investment experience. TSE picked Lt. Gen. Howard D. Graham, former chief of staff of the Canadian Army. Bay Street regards Graham as well suited for the job of raising security standards in Canada, and of increasing public ownership of stocks.



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Mainstreams of Budd's diversified interests: Automotive, Electronics, Metals Testing, Nucleonics, Plastics, Railway and SpaceAtomics.

THE **B** **II**
Budd COMPANY
 OFFICES AND PLANTS IN PRINCIPAL CITIES

States Are the Big Gainers

There can hardly be a safer prediction for 1961 than this: Spending by the three levels of government—federal, state, and local—will be higher than in 1960.

It's not even taking much of a risk to say the rise will total \$6.5-billion at least—more if the Kennedy Administration and Congress should swing into an anti-recession program.

• **Continuing Trend**—As always there will be significant changes in the mix of goods and services that governments buy from the private sector of the economy—changes ranging from multi-billion-dollar weapons systems to whiskey brands for state-owned liquor stores. But in the aggregate, the rise will follow the same dependable pattern of recent years.

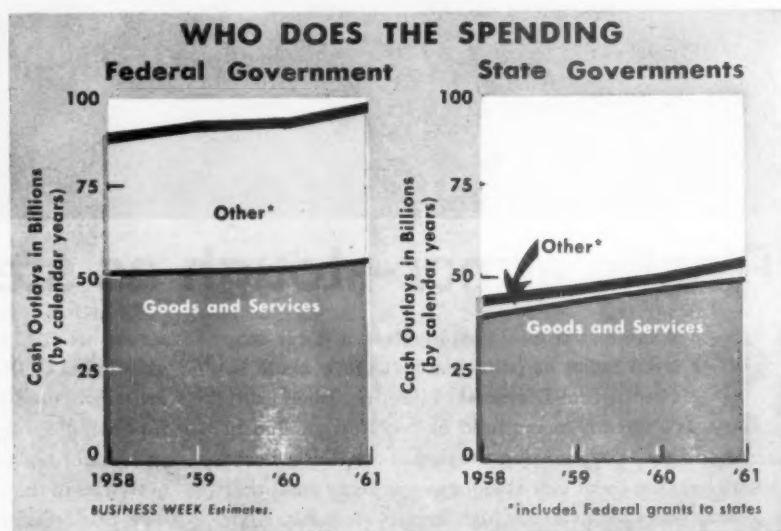
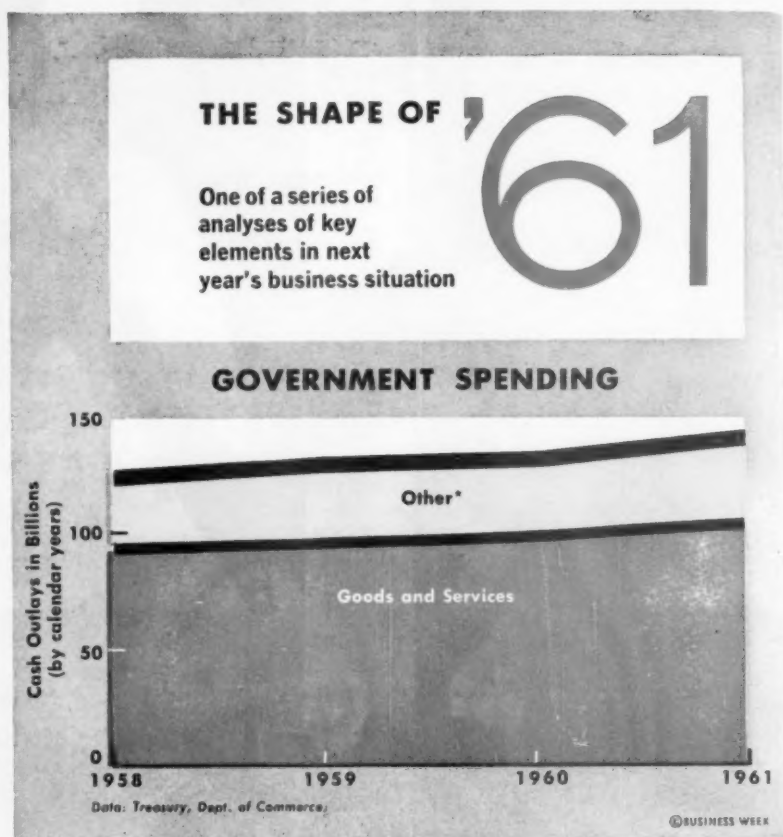
It is a rise that continued all through the decade of the 1950s, with just one hesitation in 1954 when the Eisenhower Administration, still dismantling the Korean War programs, knocked federal spending down by \$8-billion. A \$3-billion rise in state and local spending wiped out some of that slash but still left 1954 below the preceding year. It was the only year of the decade that did not show a gain.

Even fiscal conservatives say the rise is destined to continue. The report of the President's Commission on National Goals (page 28) indicates that government outlays for such civilian programs as education, research, health, urban renewal, housing, and transportation will rise sharply in the years immediately ahead. To this must be added the still-increasing cost of defense and space exploration.

I. How the Totals Stack Up

As the chart shows, spending by all levels of government will reach the \$144-billion level in 1961. This is using the same method of measurement used by the Dept. of Commerce for the national income and product accounts. In this system, expenditures of business-type operations like the Post Office and publicly owned utilities are included on a net basis (gross expenditures less revenue). If such expenditures were counted on a gross basis, as they are in an annual Census Bureau survey of government spending, the total for next year would be some \$14-billion higher.

By either method, a rising demand is indicated for the manufacturers, distributors, contractors, and mine operators who sell goods or services to the three levels of government. There will



also be more for the farmers who raise crops that go under government loan, for the recipients of some \$10-billion in outright subsidies and relief payments, and for those who will receive some of

the \$17-billion in social security benefits next year.

• **A Little Higher**—But the amount of economic stimulation you can expect from this is open to question. The rea-



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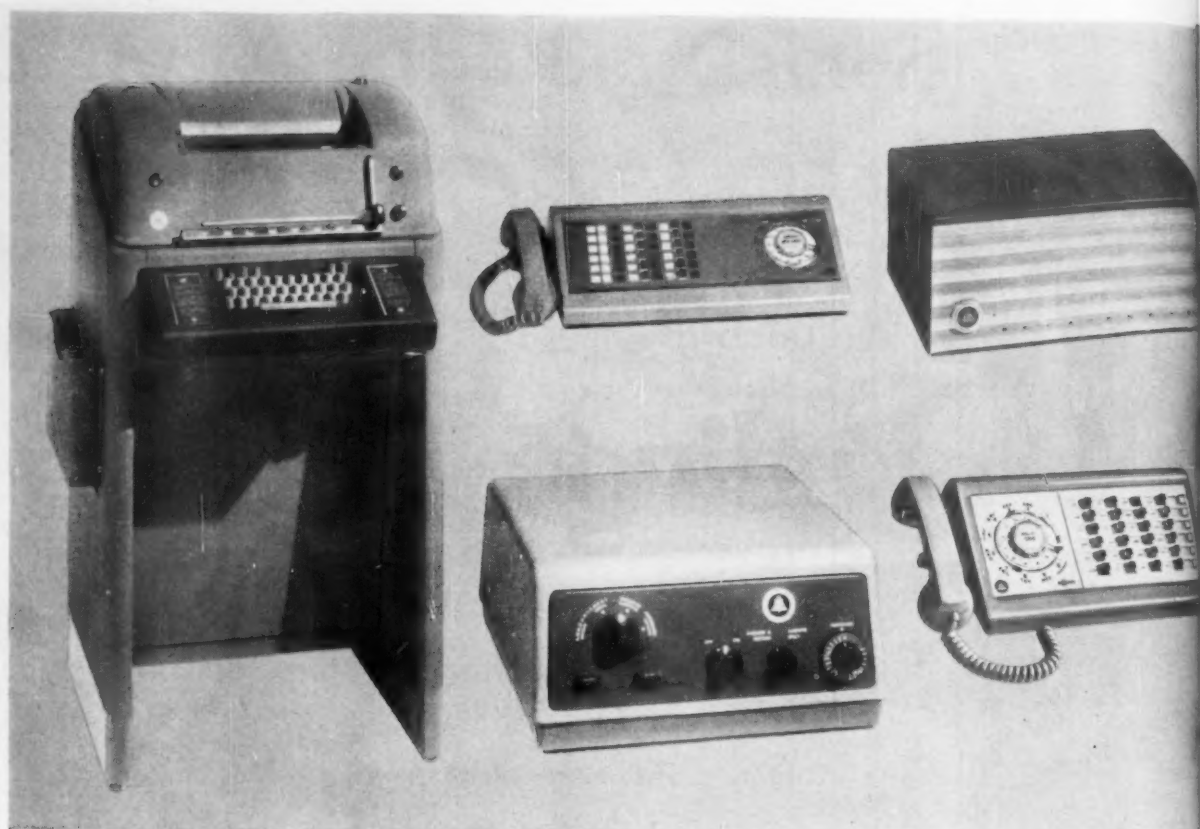
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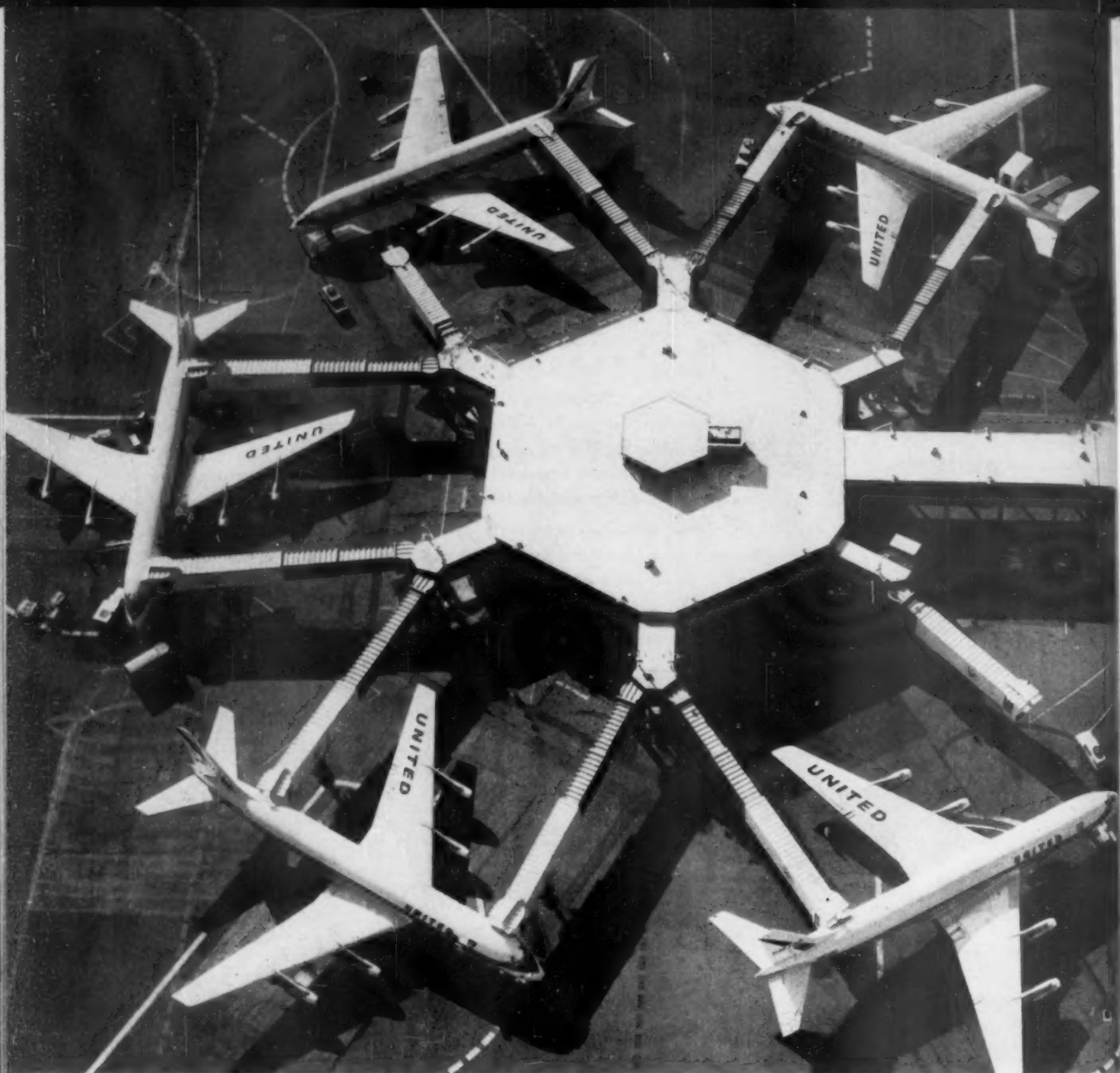
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What Will Be Happening to Major Federal Spending Programs

PROGRAM	CALENDAR YEARS		TYPE OF PRODUCT OR SERVICE
	1960	1961	
DEFENSE PROCUREMENT	\$13.1-billion	\$14.2-billion	Planes hold own against missiles after several years decline.
DEFENSE RESEARCH, DEVELOPMENT, TEST, AND EVALUATION	3.4-billion	4.3-billion	Missiles for test firings and work on the revived B-70 bomber are assigned to this account.
OTHER RESEARCH AND DEVELOPMENT	1.2-billion	1.5-billion	Space activities will account for \$650-million.
MILITARY CONSTRUCTION	1.5-billion	1.3-billion	Missile bases don't equal earlier outlays for bomber bases.
ROADS	9.4-billion	10.2-billion	Includes all levels of government.
PUBLIC WORKS OF ENGINEERS CORPS AND RECLAMATION	1.1-billion	1.3-billion	\$75-million for new construction in Corps programs; \$50-million in Reclamation Bureau.
ATOMIC ENERGY COMMISSION	2.7-billion	2.8-billion	Expected to peak out next year at around \$3-billion.
FOREIGN MILITARY AID	1.6-billion	1.7-billion	Subject to quick changes. Kennedy might decide to cut it.
FOREIGN AID LOAN FUND	250-million	500-million	Goes mostly for heavy capital goods in neutral countries.
FOREIGN AID, ECONOMIC AND TECHNICAL	1.4-billion	1.4-billion	Heavy on defense-supporting commodities such as wheat, petroleum products, cement.
PUBLIC HOUSING	140-million	155-million	Very largely federal contributions to completed low-rent projects.
URBAN RENEWAL	130-million	175-million	Only about 10% is for new projects.

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son is that next year's increase is only a little higher than the increases that occurred this year and in 1959. Here is how the recent gains run, all levels of government combined:

1959 up \$6.3-billion
1960 up \$6.2-billion
1961 up \$6.5-billion

Measured against previous annual increases, the rise for 1961 is more of the same, rather than a new factor that could kick the economy into a fresh forward sweep.

A somewhat sharper focus is obtained by looking at the most recent spending rate for goods and services only. In the April-June quarter this year, this was running at a \$98.6-billion annual rate (seasonally adjusted). For 1960 as a whole, it should rise to \$100.5-billion. For 1961, it will average around \$105-billion, which implies an annual rate in the fourth quarter of something like \$109-billion.

• **Impetus**—This rise will take the place of a flat period which the calendar year figures alone do not pick up. From the July-September quarter of 1959 to the same quarter this year, there was practically no increase at all, due to a decline in the federal take of goods and services, which a rise in state and local spending barely offset. Now federal purchases will rejoin the general upward climb. The effect will be a greater

push on the economy than is apparent in the mere year-to-year change.

The gains of recent years are, in fact, modest ones compared with the leap forward that government spending took during the recession of 1957-58. In calendar 1957, governments managed to churn up an \$11.4-billion rise for all types of spending.

• **Recession Picture**—So far, there is not a dollar of anti-recession spending in the picture for 1961. The increases that are anticipated in the charts and table above are due to the rises that are either built into going programs, or reflect those campaign promises of Kennedy that seem most likely to be adopted by Congress. The largest of these is a \$1-billion rise in defense over that which Eisenhower foresees.

Some of Kennedy's economic advisers feel the country is already in a recession. If during the first three months of 1961 Kennedy decides they are right, he will probably find Congress ready to go along with a broad increase in expenditures.

II. Federal vs. State-Local

What may be a significant shift is occurring in the ratio of federal spending to state and local spending.

In the years 1959-61, both categories are increasing roughly by the

same amount—federal by \$9.1-billion, state-local by \$9.9-billion. But because the federal gain is added on to a much larger base, its percentage gain is much less—10% while the gain for state-local is 22%. If this pace continues, state-local may soon overtake federal and become the more important.

In 1959, for example, federal spending (in terms of who actually spends the money) was 60% of all government outlays. Experts who did background studies for the Eisenhower Commission on National Goals foresee a period—not too long in the future—when this ratio could be reversed.

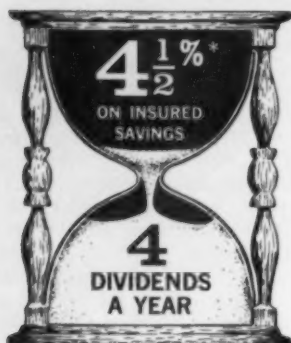
• **Anomaly**—This creates something of an anomaly for those fiscal conservatives whose real goal is to curtail government expenditures in the aggregate. During the depression years of the 1930s, when only the federal government was willing or able to increase outlays, they took up the cause of states' rights. But in recent years, the states and cities have joined forces to become the free spenders of our times. The conservative coalition in Congress—fickle as it is when confronted with the threat of recession—emerges as the most effective government economy bloc in the country.

Kennedy, with his traditional Democratic concept of strong federal leadership, could swing the emphasis back to the federal side, Congress willing. But there may be more involved here than even Kennedy can control.

• **Education and Highways**—Between 1952 (when we were fighting the Korean War) and 1959—for example—the total expended for national defense changed hardly at all. But during the same period, outlays for education rose from \$10.1-billion to \$18.1-billion, with all but a trifling half-billion contributed by state and local governments. Even if Kennedy gets Congress to pass an aid-to-education bill, it could hardly outweigh such a sweeping state-local rise.

It is generally assumed that the federally sponsored highway modernization program has put state-local spending for this purpose in the shade. But the federal rise for highways from 1953 through 1959 was \$2.1-billion, while state and local units were pouring out a rise of \$2.5-billion.

Education and highways are two giants of government spending, trailing only the behemoth of national defense, which by definition has to be a peculiarly federal affair. As civilian needs expand—regardless of the cold war—it is not inconceivable that the dominating role of the federal government in expenditures may give way to the rising spending power of state and local governments. What's been happening in education and highways may be pointing to the future—even with a Democrat in the White House. **END**



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Voting Power

Urban voters hope the Supreme Court will hear their case against domination of elections by rural areas.

The long-denied quest of the city dweller for political equality in legislative influence has broken out again in several places, including the U.S. Supreme Court, where the attempt last received a frustrating setback in a landmark decision of 1946.

This new demand—translated roughly into a political battle between urban and rural areas—is particularly significant at this time because of two factors: the impending reapportionment of districts in the U.S. House of Representatives (BW—Nov. 19'60, p159), and the sharp shift of population from rural areas into metropolitan centers.

What has happened gives the city dweller hope, but no assurance, that his influence might become commensurate with his numbers in both state and federal legislatures.

• **On the Docket**—For the first time since 1946, the Supreme Court has agreed to consider a complaint that says, in simplest terms: Rural areas enjoy unfair advantage in political representation. The case at hand involves the state legislature of Tennessee, whose districts have not been changed since 1901. A group of Shelby County (Memphis) residents charges that the 59-year-old legislative alignment gives them only one-tenth of the representation of counties with much smaller populations.

The National Institute of Municipal Law Officers, whose members include legal officials from cities in all 50 states, has filed a supporting brief.

To prove that the grievance is not confined to one area, the institute's brief—in a glimpse that clearly zeroes in on other political horizons—cites some examples in Eastern states that are considered urban in basic character. Eight-million voters in New York City elect only 90 members of the State Assembly, while 7-million upstate voters elect 118. In Connecticut, Hartford (pop. 116,000) has two state representatives; so does Colebrook (pop. 547).

• **Potential Impact**—A favorable decision for Shelby County in the pending case would almost certainly pave the way for a sweeping series of similar actions across the country. The Tennessee state constitution requires redistricting of the state legislature every 10 years, as do many others. But, by and large, these constitutional structures are observed only in the breach.

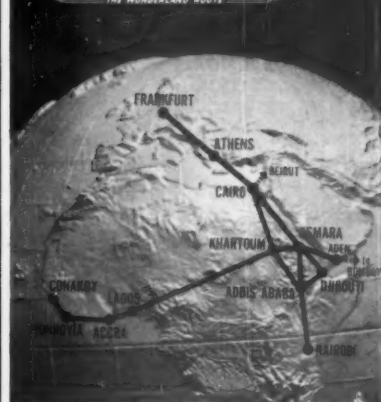
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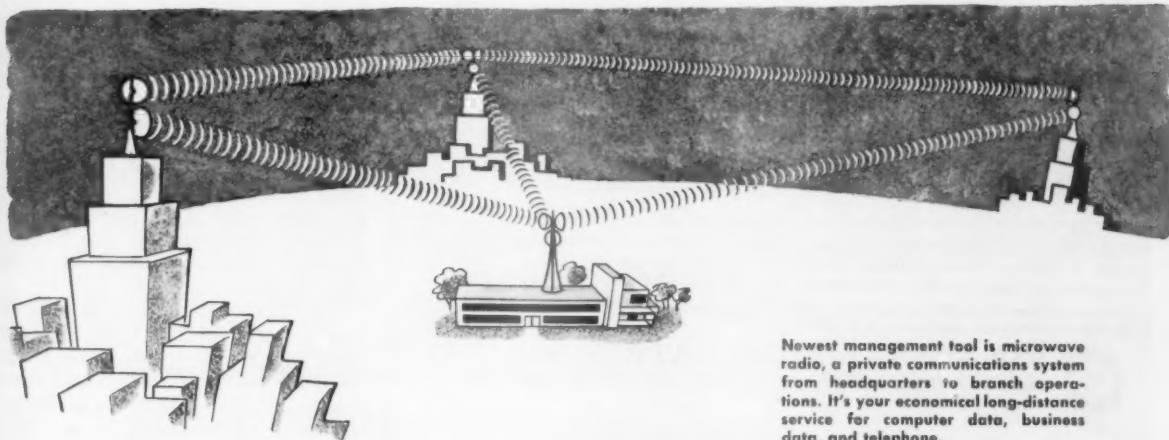
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have impact upon the 25 state legislatures that next year must reshape U.S. Congressional districts because of population shifts since 1950. Sixteen states lose one or more House seats, nine others gain one or more.

• **Historical Position**—In the 1946 case, a group of Cook County (Ill.) people went to court with a protest about the unfairness that put 900,000 citizens into one Congressional district and a mere 300,000 in another. The Supreme Court turned down the case.

The court's historical position can be summed up like this: Definition of legislative districts at any level is essentially a political, rather than a judicial, problem.

• **Possible Shift**—Is a shift in sight? No one presumes to try to guess what the court will hold in the Tennessee case, but earlier this term it did take a step that by some interpretations seems to point toward a possible change. It held, conditionally, that the Alabama state legislature acted unlawfully in gerrymandering the boundaries of Tuskegee—if the revision was intended to deprive Negroes of their vote in the city's election.

The Tuskegee case now is back before a federal district court for determination on the question of intent. In the Tuskegee case, the high court clearly indicates willingness to protect one group of citizens (Negroes) from political domination by another group (whites). Students of government see some chance that the court may decide to protect another kind of group (urbanites) from political domination by yet a fourth group (rural dwellers).

• **Growing Problem**—Some other recent developments indicate the scope of the problem in different forms:

• California voters on Nov. 8 turned down Proposition 15, intended to lead to equitable reapportionment of the State Senate. Los Angeles, which has 40% of the state population and only one of the 40 state senators, would have been entitled to seven.

• Georgia's county unit system, which gives all counties either two, four, or six unit votes, is being brought once more under legal attack. A Democratic congressman, Price H. Preston, was beaten in this year's primary although he received a majority—34,318 to 33,629—of the votes. (In his 18-county 1st District, Preston carried seven relatively populous counties but got only 18 unit votes; his opponent, Elliott Hagan, carried 11 counties and got 21 unit votes.)

A furniture store owner, William Helmlv, and his wife have filed a suit that protests, among other things, that the unit system applied to the Preston-Hagan Congressional race deprived them of the right to have their votes effectively counted. **END**



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In Research

• • •

Improved Rockets, Missile Materials Reported at Space Symposium

The nation's top astronautic specialists, attending the Seventh Annual Science & Engineering Symposium in Boston this week, got a preview of some of the developments that are coming out of the U.S. space research effort.

C. William Schnare, an engineer at the Air Research & Development Command's Air Force Flight Test Center, predicted a complete revolution in the chemical rocket fuels industry. The new developments will make it possible to build more efficient rockets at less cost as well as to make them lighter in weight. The Air Force is expected to announce substantial new developments in both liquid and solid chemical fuels soon.

The discovery of an important new chemical material for coating missiles and space satellites was reported by Robert M. Van Vliet of Wright Air Development's Materials Laboratory. The material, ferrocene, is a metal organic compound (page 51) that incorporates two of the chief properties sought by space material designers. It has an extremely high resistance to heat and ultraviolet rays, thus offering protection from destruction to its payload or passenger. Also, it is an organic material, which means it can be stabilized easily through use of additives.

In another report prepared by the Wright Air Development Command, it was announced that an adaptation of the conventional method for producing polyurethane foam may provide man with the ideal method of setting up light housekeeping on other planets. Although the foam alone is unable to withstand the pressures of sitting, sleeping, and work loads on earth, it appears perfectly able to handle these jobs in atmospheres where gravity is reduced. Research to find an efficient way to produce foam in low-pressure environments is being pressed.

• • •

Russia and Iron Curtain Countries Discuss Scientific Collaboration

Leading nuclear physicists from 12 Iron Curtain countries have just concluded a series of closed-door meetings at the Joint Nuclear Research Institute outside Dubna, Russia. Little official information has been released on the proceedings. But the Soviet press has reported that these matters were discussed:

- A plan to allow countries other than the Soviet Union to cooperate in the effort to scan the more than 12,000 pictures that have been taken of charged particles as they were fired by a proton-synchrotron into Dubna's new bubble chamber, in the hope of discovering some new clue about the fundamental properties of matter.

- A proposal to sponsor additional conferences for Iron Curtain nations on problems of interest to nuclear scientists.

There also was considerable interest, according to the Russian news reports, in the Dubna proton-synchrotron. Its intensity of beam, Russian scientists told their colleagues, has been increased tenfold. Already, this boost has led to the discovery of the antisigma-minus hyperon. In addition, the Russians claim that there is good reason to expect that other important research developments will soon be coming out of work with the souped-up proton-synchrotron.

• • •

More Coordination Between Government, Universities on Research is Urged

Late last month the White House released a 25-page report titled "Scientific Progress, the Universities, and the Federal Government." It was prepared by the President's Science Advisory Committee under the chairmanship of George B. Kistiakowsky, special assistant to the President for science and technology.

Among others, the report made these recommendations:

- Universities and the federal government must work together in the matter of conducting basic research and training new scientists.

- Universities should not allow federal contracts for research to interfere with teaching programs.

- The federal government should support research, but not attempt to administer its grants too closely.

- The federal government should lend more support for facilities and equipment for basic research and graduate educational purposes.

• • •

Dr. Lloyd Berkner Will Direct New Graduate Research Center in Dallas

A two-year search to find a top-grade research administrator to head the Graduate Research Center, Inc., of Dallas, ended this week with the naming of Dr. Lloyd V. Berkner as president. Berkner, whose experience ranges from work at the National Bureau of Standards to exploration with the Byrd Antarctic Expeditions, most recently has been president of Associated Universities, Inc., of New York.

A group of leading Southwest businessmen formed the Graduate Research Center in 1957 for the purpose of "advancing knowledge in both the pure and applied sciences." Their avowed aim was to make the new research center comparable in scientific capability to Stanford Research Institute, Massachusetts Institute of Technology, or Armour Research Foundation.

Chairman of the board of trustees is J. Erik Jonnson, chairman of Texas Instruments, Inc. Last year Jonnson, Eugene McDermott (co-founder of TI), and Texas Instruments itself donated \$750,000 to the center. Since that time, the center has received other donations, estimated at \$500,000 to \$750,000, for organizational funding.

The first facility to be built will be a \$1-million science information center, covering all fields of the physical sciences, mathematics, and engineering. It is expected to be completed and in operation late next year.

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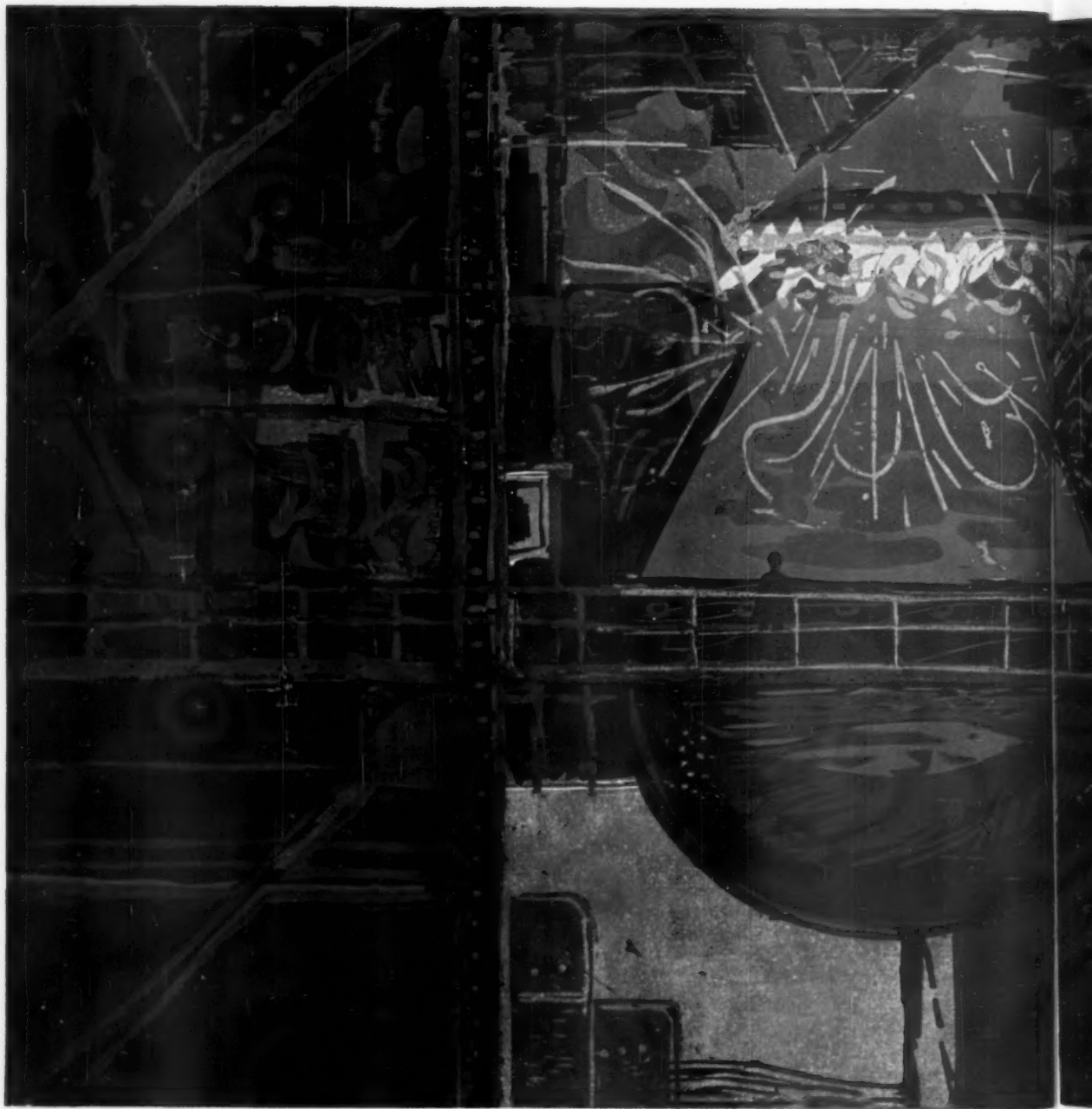
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PERSONAL BUSINESS

BUSINESS WEEK

DEC. 3, 1960



Plans are shaping up rapidly for events that will accompany the Presidential Inauguration in Washington.

Big attraction, of course, is the Inauguration ceremony at noon Friday, Jan. 20, on the front steps of the Capitol. You get tickets through the Joint Congressional Inauguration Committee.

For the parade following the swearing-in ceremony, some 35,000 tickets go on sale next week at prices tentatively ranging from \$3 to \$15. However, the best seats—those near the Presidential reviewing stand at the White House—you'll probably have to get through the Inauguration Committee.

Don't count on seeing the parade from the Raleigh, Willard, or Washington hotels. All three report suites overlooking the parade route already have been taken.

The main ball in the evening will be at the National Guard Armory. If the ticket demand exceeds the Armory's capacity, other balls will be held at Washington hotels. Unless you're a Democratic Party bigwig or a large contributor to the party, you may have to approach someone of standing within the party to recommend you for an invitation. Tentative ticket price: \$25 per person. Boxes will cost from \$250 to \$400.

In addition to these planned activities on Inauguration Day, there'll be scores of receptions and parties given by state delegations. But there's no schedule yet. Best bet if you want to attend any is to get in touch with one of your state committeemen.

Here's a review of other major activities:

Jan. 18—Hostess reception in the afternoon honoring leading ladies of the new Administration; **Inaugural dinner** in the evening (\$12.50 per person). You might arrange invitations through Democratic sources—Congressmen, national and state officials.

Jan. 19—Governors' afternoon reception. Few persons outside top echelon of party will attend. Early in the evening there's to be a **National Symphony Orchestra concert** at Constitution Hall (\$3 to \$10). **Democratic Party "gala"** is slated for the Armory with plenty of top show talent on hand. If you contributed as much as \$100 to the National Democratic Committee, you're as good as in.

Other goings-on: During the week on the Arena Theater stage, Pirandello's comedy, *Six Characters in Search of an Author* (\$2 to \$3.25); Jan. 15, **Warsaw Philharmonic** at Constitution Hall (\$1.25 to \$3.85); Jan. 17, **Bela-fonte Singers** at Lisner Auditorium (\$1.25 to \$3.85); Jan. 21, **Victor Borge** at Constitution Hall (\$1.25 to \$3.85).

All hotels in the Washington area have turned their rooms over to a special committee now handling requests on a first-come, first-served basis. Write to Inaugural Housing Committee, Liberty Loan Bldg., 14th & D St. SW.

For excellent dining in Washington, try some of these currently "talked-about" restaurants: Paul Young's, 1120 Connecticut Ave. NW; Golden Parrot, 1701 20th St. NW; Chez Francois, 818 Connecticut Ave. NW; Cordon Bleu, 3125 M St. NW; Robert's Gourmet Cuisine, 4201 Cathedral Ave. NW; AV Ristorante Italiano, 607 New York Ave. NW; Genghis Khan, 1805 Connecticut Ave. NW; Normandy Farm, Potomac, Md.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

DEC. 3, 1960

business or for pleasure, you ought to arrange a one- or two-day stopover in Brasilia—Brazil's new, architecturally magnificent capital. It's already a South American showplace. Set in the rolling wilderness 575 mi. northwest of Rio (the old capital until last April), Brasilia boasts slablike skyscrapers, modernistic government buildings, super-highways, and an atmosphere of flourishing frontier democracy.

You can reach Brasilia directly from New York via Pan Am or Varig jets. Or you can catch a Viscount out of Rio on any of six airlines.

Stay overnight in Brasilia, if you can. Though the city can be seen in a day, the beauty of the place after dark and at sunrise is memorable.

The only hotel right now is the Brasilia Palace. Designed by Oscar Niemeyer, who blueprinted all the city's buildings, it's sleek and comfortable. But you'd better confirm reservations several weeks in advance. The hotel situation will be eased in January by the opening of the Nacional-Brasilia, by the owners of Rio's superior Excelsior.

The Brasilia Palace offers good food, though not quite up to Rio's highest standards. Two other places to dine are the Macumba night club and the less fancy Chez Willi.

Cars are a must, with the great distances and lack of public transportation in Brasilia. You can hire a car at the airport for \$15 to \$20 daily, with or without driver (some drivers speak English).

You'll want to visit "Embassy Row," where signs announce future foreign missions. Two nations—the U.S. and Britain—have their headquarters well under way. At the "Square of the Three Powers," there is much more to see. The dome-shaped Brazilian Senate, bowl-like House and twin Congressional Office towers show off some dramatic architecture.

Nearby, the glass-and-marble Justice and Executive palaces rest on concrete columns. Beyond these is an eye-striking aisle of 12-story ministry buildings and the 22-story Bank of Brazil. **Best vantage point in the city: the monumental bus terminal at the end of this aisle.**

You can go into any public building except the presidential residence, the Palace of the Dawn. On days when the president and his family are away, special permission to visit may be obtained at the nearby Palacio do Planalto.

The Palace, poised beside a palm-lined pool, has spectacular features. One large wall of the foyer is surfaced with gilt tile, and this is mirrored in the wall opposite. Rare tropical woods give a rich look to specially designed furniture. Below ground level, there's a tiny, luxurious theater.

—•—

Clubhouse golf: The cost of either sending a ball out of bounds or losing it somewhere on the course has been made stiffer. Under new rules of the U. S. Golf Assn., the penalties—as of Jan. 1—become one stroke and loss of distance, rather than just loss of distance.

For balls out of bounds, the local club has an option. It can adopt a rule letting you drop a new ball within two club-lengths of the place where the ball went out of bounds—with a one-stroke penalty.

There are some excellent wintertime practice routines to be culled from Cary Middlecoff's *Master Guide to Golf* (Prentice-Hall, \$10). Ample illustrations are clear, detailed, for players in all handicap brackets.

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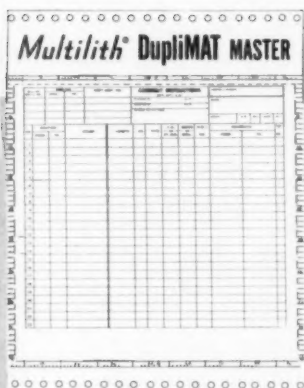
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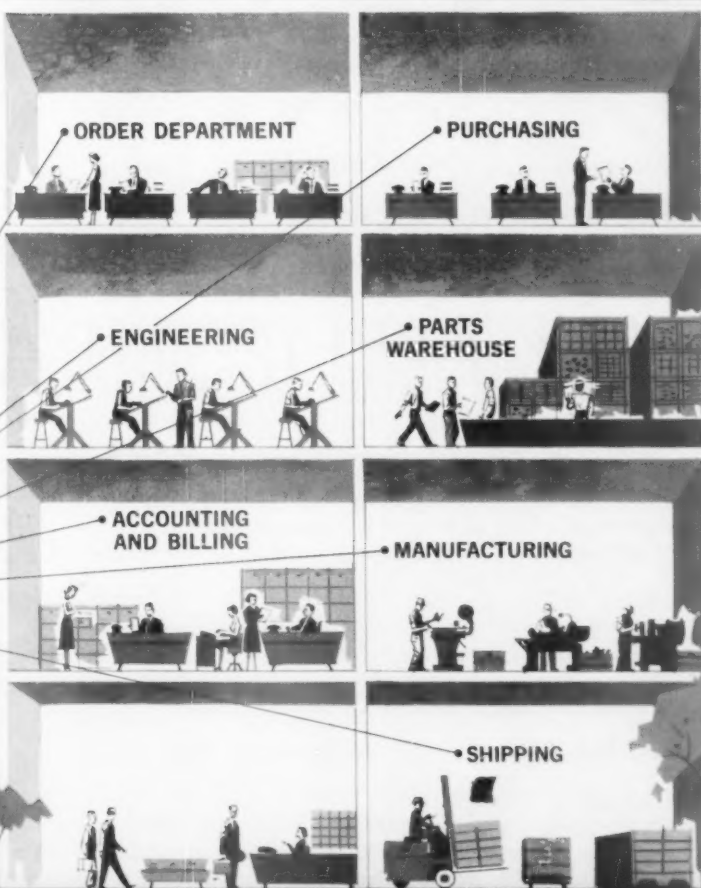
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In Finance

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Banker Sees Outflow of Gold as Curb On the Fed's Maneuverability

The Federal Reserve Board, which officially has been playing down charges that its maneuverability in carrying out monetary policy is hampered by the outflow of gold, has some dissenters in its midst. L. Merle Hostetler, vice-president of the Federal Reserve Bank of Cleveland, last week told a group of businessmen in Pittsburgh that "monetary policy cannot be relied upon to do as much as it may have done in three previous postwar recessions to set the stage for economic recovery."

Hostetler's point is that "if short-term rates were encouraged to go much lower in this country, as a means of combating deflation with easy money, the risk would be incurred of accentuating the outflow of American funds to more profitable pastures abroad, accompanied by a further outflow of gold." Hostetler concludes that the margin for maneuverability in monetary policy is "much smaller" today than it was in the early 1950s.

The Fed's policy actions seem to indicate that it realizes this. As Aubrey G. Lanston & Co., Inc., a major government bond house, remarked recently: "The Fed is apparently trying to produce an atmosphere of monetary ease and ready availability of credit (to combat a softening in business activity), but without bringing about a marked drop in yields in the money market."

• • •

Aldens, Chicago Mail Order House, Plans To Follow Sears Into Insurance Field

Aldens, Inc., the big Chicago mail order house, is planning to follow Sears, Roebuck & Co. into the insurance field. The company plans to invest about \$500,000 in a new insurance subsidiary, which will sell life insurance through the mail to catalogue customers. Other insurance lines, including health and accident coverage, may be added sometime in the future.

This is the same route that Sears followed in setting up Allstate Insurance Co. to sell auto insurance in 1931. Allstate, however, quickly abandoned emphasis on direct mail selling in favor of a company-employed force of sales agents. Some insurance men think Aldens—once it gets over the initial hurdles of starting from scratch—will also change sales direction.

• • •

California S&L Holding Company Tries End Run Around Federal Expansion Ban

California Financial Corp., a \$72-million San Jose (Calif.) savings and loan holding company, is probing a possible loophole in the 1959 federal law limiting the expansion of S&L holding companies.

The law forbids holding companies owning federally insured S&Ls to purchase the guarantee, or permanent, shares of any additional associations. But by assuming the \$8-million assets and liabilities of Vallejo (Calif.) Savings & Loan Assn., instead of buying its stock, CFC hopes to avoid the ban on expansion.

As CFC sees it, the deal does not require federal approval. CFC has asked for state sanction, but it says that in assuming the assets and liabilities of Vallejo S&L, it would leave that corporation simply a shell. In shell status, Vallejo would no longer be covered by the Federal Savings & Loan Insurance Corp., and thus would not come under the law banning expansion.

Other S&L holding companies, stalled in their expansion hopes by the new law, are watching for FSLIC reaction, which could come within a week. If CFC succeeds, other S&L holding companies are almost sure to follow suit.

Federal Board Hit in S&L Seizure

In the controversy over seizure by the Federal Home Loan Bank Board of California's Long Beach Federal Savings & Loan Assn. (BW—Jun. 25 '60, p. 120), the government has received a sharp setback. U.S. Judge Pierson M. Hall has barred any further hearings in the case until the FHLBB has determined whether its own members are free from bias in the matter. Judge Hall's decision leaves little doubt of his opinion that the FHLBB is prejudiced, and therefore has no right to decide the case.

• • •

SBIC Finances Employees' Purchase Of Two Vanderbilt Tire Subsidiaries

Techno Fund Inc., of Columbus, Ohio, has taken an unusual step for a small business investment company: financing the purchasing of two subsidiaries of Vanderbilt Tire & Rubber Corp., by the subsidiaries' employees.

Vanderbilt, a jumble of many companies but chiefly a distributor of tires and automotive accessories, will receive more than \$2.5-million for Gemex Corp., a watchband maker, and for Inso Electronic Products, Inc., a manufacturer of plastic-coated wire. The company will use the cash to improve working capital by reducing borrowing to carry inventories, expects it will save about 20¢ a share in interest costs—almost as much as it earned in all of 1959. The move enables Vanderbilt to concentrate on its tire business but also sets it up as an acquisition candidate by one of the big tire makers.

The two employee groups feel they can take the two companies and turn out more profits than the two subsidiaries did while in Vanderbilt's hands.

This is Techno's belief as well. The Ohio SBIC—established to invest in growth companies in technological areas—will get a controlling interest in both companies. In Gemex's case, Techno put up \$1-million and took 30,000 shares of common at \$10 a share, plus \$700,000 in 7½% debentures, with warrants to purchase 70,000 shares at \$10 in five years. In the Inso transaction, Techno advanced \$550,000, received debentures with warrants and stock in about the same ratio as from Gemex.



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MANAGEMENT



William P. Lear: "There never has been a director that I didn't elect

Plane Gear Maker

William P. Lear, founder and chairman of Lear, Inc. (above), says he has always liked to run his company the way he flies his twin-engine de Havilland Dove—by the seat of his pants. The method worked well enough in aviation's rough-and-tumble days in the 1930s, during World War II, and for handling the fat contracts of the early cold war. But it wasn't equal to the management problems of the 1950s.

Lear was loath to quit the pilot's seat, even while admitting that he had neither the talent nor interest to administer his growing company—since 1952, sales have doubled to an expected \$90-million this year. About five years ago, he thought he had the answer. He retained the title of chief executive officer, but turned operations com-

pletely over to the president and moved to Europe to push commercial sales of the company's airplane instruments, electromechanical systems, and radio gear.

In effect, his management technique was patterned after one of his most successful products, the autopilot. Lear fed in instructions by cable, long-distance telephone, and flying visits, and expected the president, Richard M. Mock, to keep the company on course. But long distance management didn't work very well, and last year Lear swooped down on company headquarters in Santa Monica, Calif., to set things right.

• **Three-Way Shuffle**—The result was a three-way shuffle that passed the presidency from Mock to James L.



Albert G. Handschumacher: "Bill Lear's big job is being responsible for the direction of the company



... As an owner, I can take responsibility for things that my executives might be frightened to try."

Tries Dual-Control Management

Anast to Albert G. Handschumacher (cover and below) in the space of four months (BW—Aug. 15 '59, p. 70). Industry wags who for many years had gossiped over Lear's exploits as businessman, inventor, and sometime playboy predicted that the game of musical chairs would go on for quite a while. But as Handschumacher moved into his office in Lear, Inc.'s new building last month, he seemed to have the operating controls firmly in his own hands.

At the same time, Lear himself hasn't slackened his work in the company's behalf. After all, he says, "a man's heart is where his treasure is," and Lear, with 18% of the stock, has an \$8-million "treasure" staked in the company's future. But since Hand-

schumacher took over, Lear has been able to concentrate on the job he likes best, "bird-dogging."

To Lear, this means rushing all over the world to line up potential customers. Many of them are old friends in aviation, but an increasing number are executives in companies that make missile systems and industrial controls devices. Once they're cornered, in their offices, on planes, or behind a dinner table, Lear pumps them for their problems. Then he pulls out a pencil and sketches out a solution. After that, he says, "I call Santa Monica and tell them the door is open, it's up to them."

So far, Lear thinks the division of labor at Lear, Inc.—with Handschumacher running the show in California and Lear himself operating from a 22-

acre estate in Geneva—is working fine. Results of the system are hard to measure, but sales in the first nine months of 1960 are up \$7-million to \$68-million and profits are about \$2-million, a gain of 14%. At the same time, Handschumacher has pushed ambitious plans to improve the company from top to bottom.

I. Pilot and Co-Pilot

In personality and management training, the two men running Lear, Inc., are as different as the flying Jenny and the jet airliner. Lear, 58, is an extrovert, and stories of his hard-driving, prank-filled life are legion. He glories in his honorary "Doctor" title, although his formal education ended at the sixth



starting three years in the future and extending into infinity. . . . This is what he does best."



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grade. Lear has such faith in his flying ability that at times he has landed his airplane in almost total darkness, when control tower operators couldn't see him touch down on the runway.

In 1956, he flew to Russia, the first American tourist to fly his own plane there. But it got him into trouble with the State Dept. when he was quoted by reporters (wrongly, he says now) as being interested in selling his airplane equipment to the Russians.

Lear's flamboyance has been matched by his achievements. Over 31 years, he built up Lear, Inc.—originally a one-man radio repair shop—by inventing new equipment and hustling around the country selling it. His last major invention was an autopilot for jet aircraft. It won him aviation's highest award, the Collier Trophy, in 1950.

• **Wrong Guesses**—This combination of personal traits made it difficult for Lear to turn his company over to anyone else. He feels now that in his first two tries he gave the job to the wrong man.

First came Mock, a long-time associate appointed president in 1949. When Lear shifted more responsibility to him, Mock evidently wasn't aggressive enough to make major decisions on his own and defend them against Lear. However, the whole changeover was so ambiguous that Mock didn't really know how much authority he had. Mock now is chairman of the executive committee.

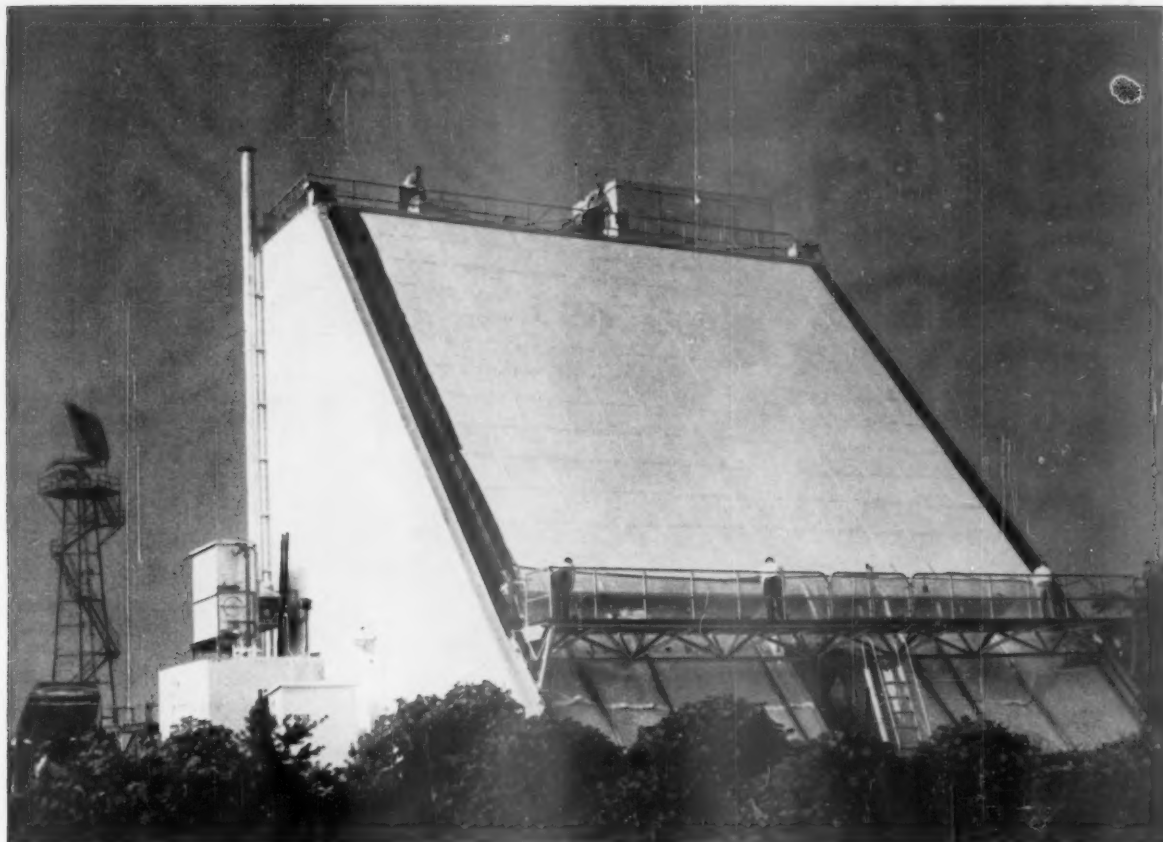
Anast, who succeeded Mock, was from the Federal Aviation Agency. Lear quickly decided that Anast's government career hadn't prepared him for business—he's back at FAA.

Finally, Lear brought in Handschumacher, 41, who two years earlier had left a senior vice-president's job at Lear, Inc., to become a vice-president of Rheem Mfg. Co. In the interval, he served on Lear's board.

• **Different Breed**—Except for drive and ambition, Handschumacher is a different breed from Lear. He received a B.S. in commerce and engineering from Drexel Institute of Technology. During his last 24 years at college, he was production manager for Junior Motors Co.

After graduation he moved on to a Westinghouse Electric Corp. executive training course, and in 1942 entered the Army as a second lieutenant. Soon, he became chairman of an industry advisory committee of the Army Air Corps that integrated companies into the aircraft production effort.

In 1945, Handschumacher went looking for a smallish company where he could capitalize on his experience. He settled on Lear, Inc., and started as sales manager for the Midwest. In rapid succession, Handschumacher took on full responsibility for the company's



This new type Bendix radar, initiated by the United States Air Force, Rome Air Development Center, and now sponsored by the Advanced Research Projects Agency, Dept. of Defense, is the forerunner of radars promising unprecedented protection. Note how much it differs from conventional radar in background.

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The demonstration model, shown above, is located at our Radio Division, Baltimore, Maryland. Its great five-story face houses nearly 9,000 tiny, individual antennas whose "computer-steered" beams can be electronically shifted from target to target quicker than a wink. It will track rockets fired from the National Aeronautics and Space Administration launching site at Wallops Island, Va., and keep an alert watch on air traffic in the Baltimore-Washington area.

When development is successfully

completed, larger ESAR type radars may also be used to keep tabs on thousands of earth-circling satellites, and to track and communicate with space vehicles launched on deep probes to the moon and other planets.

Bendix is a leading producer of all kinds of radar for civilian and military uses. Surveillance stations equipped with our radar include northern early warning installations, others throughout this country, as well as towers at sea and in distant lands—all in all watching over 25,000,000 square miles.

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ESAR contains nearly 9,000 of these Christmas tree type antennas. "Electronically steerable," they can watch thousands of missiles, aircraft, and satellites simultaneously.

foreign airlines are able to minimize the effects of storms and thus give their passengers smoother, safer rides. Bendix® Doppler Radar is an airborne navigation system that is adding greater safety to United Airlines overseas flights.

Other Bendix radar devices include: airport surveillance equipment, Ground Controlled Approach radar, radar systems for military helicopters, marine radar, proximity fuses, and TV weather-reporting radar.



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instrument business, became assistant general manager, then general manager of the Grand Rapids division, and was made senior vice-president in December, 1957. Shortly after that, he went with Rheem Mfg. Co. to head its diversification program.

II. Three Big Jobs

When Handschumacher came back to Lear as president last year, he decided he had three main jobs to do:

Reduce dependence on military contracts, then 90% of Lear's business.

Improve the company's reputation to make it easier to get funds for expansion and to pave the way for increased sales of commercial products.

Build up the organization both in structure and in manpower with special attention to staff departments and customer service units.

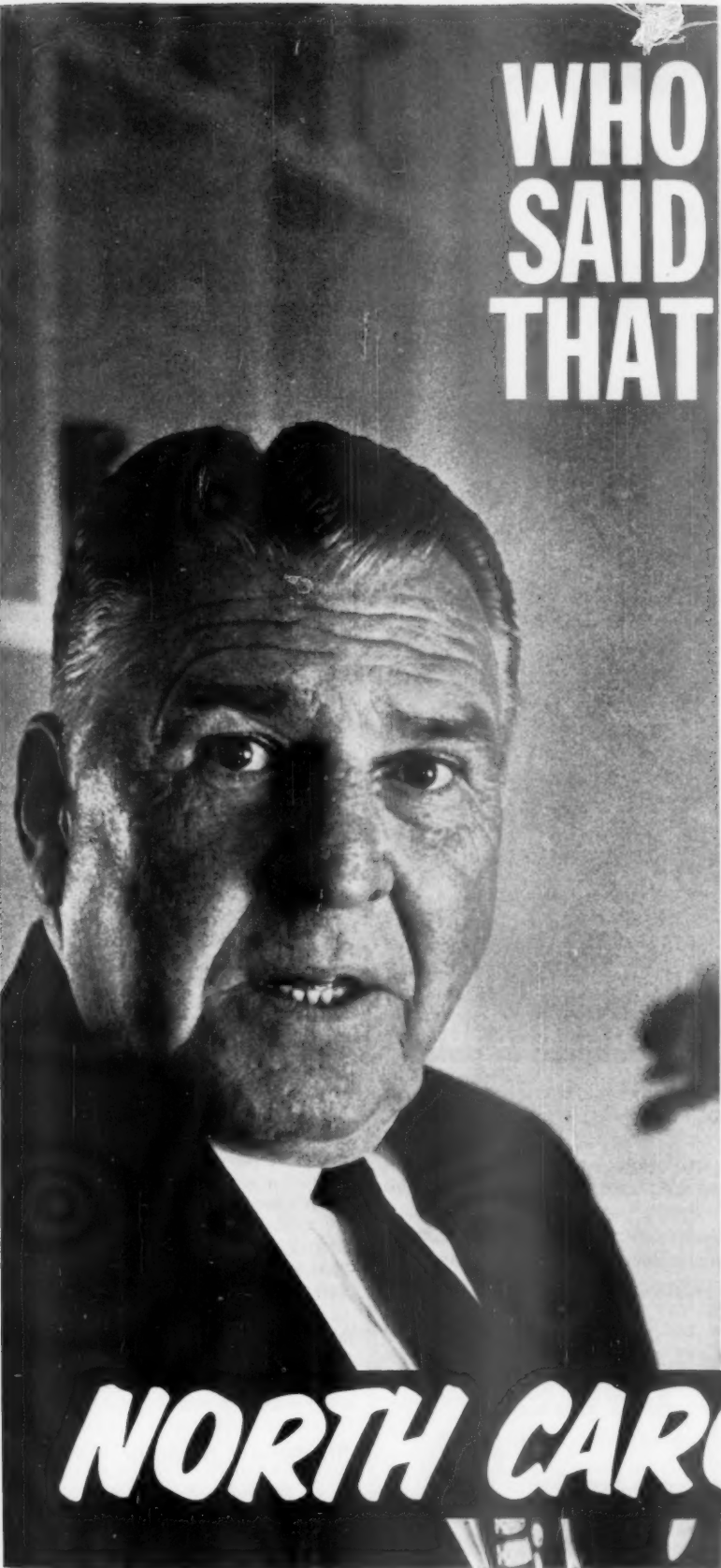
Handschumacher's first big management change was to cut one layer out of the organization chart. Andrew F. Haiduck and Roy J. Benecchi, the two group vice-presidents who had charge of the four divisions—astronics, electromechanical, instrument, and Lear-Romec—became vice-presidents, with staff responsibilities for manufacturing and customer relations respectively. The divisions report directly to Handschumacher.

• **Fewer Fumbles**—Perhaps more important was the establishment of a service division under Vice-Pres. Richard W. Harbison, who was brought in from Cook Electric Co. Lear had always got by without a service division because most of its business was with the military, which maintains its own overhaul operations. But the service the company did for civilian customers wasn't up to snuff. "Lear has not enjoyed a good reputation for after-sales support," says Harbison. "Let's face it, our reputation was lousy."

The French Caravelle jet airliner is a prime example of the kind of service fumble that Lear has been guilty of. Although the plane with its Lear autopilot had been in use for about five years, the companies using the plane didn't get parts lists for the autopilot until the new service division went into action last year. Now, Lear brags that Sud Aviation, a Caravelle user, wishes service on all its equipment was as good as Lear's.

• **For New Business**—To lure more service business, Lear is refurbishing facilities at Grand Rapids, Santa Monica, and Munich, Germany. Last summer, the company refitted a 33,000-sq.-ft. building in Harrisburg, Pa., to get service contracts from the nearby Air Force depot. And the company hopes to work on non-Lear equipment soon.

Another post set up by Handschumacher is a director of international



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This farm population — largest in the South — offers industry its biggest labor asset. Through many new Industrial Education Centers, North Carolina worked with scores of industries last year to train new workers or to upgrade trained workers to new skills. This industrial training program is made 100 percent accessible by means of fully equipped mobile classrooms for on-the-job training. Such an unusual program is merely the newest step in North Carolina's long and consistent record for helping industry grow.

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relations. Harold W. Downes, the new man in this job, hopes to increase rapidly the company's \$1-million sales overseas. He will soon start manufacturing some Lear equipment in Munich—at present, Lear licenses its equipment for manufacture overseas.

So far, William Lear's work in Europe is the key to Lear's commercial sales push there. "In three to five years," says Lear, "we expect to get half our profits from commercial business, and half of that will come from Europe." Lear, Inc., had found the U.S. commercial transport business hard to crack because Sperry Gyroscope Co. and Bendix Corp. had long-standing ties with most airlines. But Lear's sale of his autopilot to Sud Aviation of France for the Caravelle and to Fokker of the Netherlands for the F-27 will get him in the back door when these airplanes start flying for U.S. airlines.

• **Defense Bind**—All these moves are intended to help Lear escape from its almost complete dependence on the Defense Dept. Handschumacher hopes to hit his 40% civilian sales goal in five years. He expects the service division to take in \$2.5-million this year and \$6-million in 1961. He hopes the foreign operations will hit \$20-million to \$25-million by 1965.

Added to these moves into civilian products are agreements with foreign companies that make Lear U.S. sales agent for a line of cooling systems for electronic equipment—made by England's Plannair, Ltd.—and a new brake for heavy trucks and buses made by Telma of France. Both agreements permit Lear to manufacture the equipment here. Handschumacher also has plans for getting into the nuclear field and making equipment for the paper and other processing industries.

Since he took over a year ago, Handschumacher not only has tried to add products to Lear's line but he also has made a basic change in Lear's sales philosophy.

The plan is to make the company less dependent on large-volume but low-profit items such as autopilots and gyros for small planes. To this end, Handschumacher sold off a division to Motorola, Inc., for \$8-million last year. The division was making what he calls "Mickey Mouse" items, for example \$400 radios and \$895 direction finders. In the airplane equipment field, he would rather push high-priced items like a \$40,000 power system control for a F-105 fighter or a \$110,000 missile guidance system.

III. New Company Image

To set the stage for greater public acceptance of Lear products, Handschumacher and Lear have jumped into public relations. In the past, Lear

himself was able to get the Lear name into the public print in one way or another. But Handschumacher hired a public relations director and has started a five-year plan with public relations firms working on both coasts.

Handschumacher feels that Lear, Inc., must be better known to the business community outside the aviation industry. He's encouraging his executives to take part in industry organizations and is urging company engineers to submit articles to scientific publications. Finally, to help Lear become better known to the financial community, he got Lear stock listed on the New York Stock Exchange last year.

• **Interior Redesign**—Besides his efforts to brush up the company's image on the outside, Handschumacher is changing the ideas of people inside. He is trying to keep his executives on their toes. He abandoned Lear's policy of filling top jobs mainly by promoting from within. "There has been too much inbreeding in the company," he says, arguing that Lear needs more people from outside to bring new ideas to the company's expansion plans. So far, almost all the new top jobs have been filled by non-Lear people.

Handschumacher also has put in a new bonus system to give his executives greater incentives to look for new ideas and to keep them from job-hopping.

• **A Year Later**—After a year of experiments, Lear says he is perfectly happy with the way Handschumacher is running the company, and how he has "shaped up" its management. He is most pleased by Handschumacher's thoroughness and his courage. "He has amassed a stable, young, aggressive management. And you can't throw a curve at them," Lear says.

Second, Lear is becoming more absorbed with pet projects in Europe. He has long been obsessed with the idea of making a jet-powered personal business aircraft that could sell for \$250,000 (compared to \$1-million for Lockheed's Jetstar). And he has a revolutionary plan for bringing it off. Parts of the airplane will be built in four different plants in four countries and shipped to the U.S. for assembly and the installation of an American engine.

But, as busy as Lear is, executives who have known him for a long time doubt that he will be able to keep his hands off Lear, Inc., if any emergency develops. They argue that perhaps he has persuaded himself that it's best for him to stay out of company operations but he would resent any implication that he didn't have the power to do whatever he wanted with his company. When asked about the strength of his hand on the controls, Lear snaps quickly, "There never has been a director that I didn't elect." **END**



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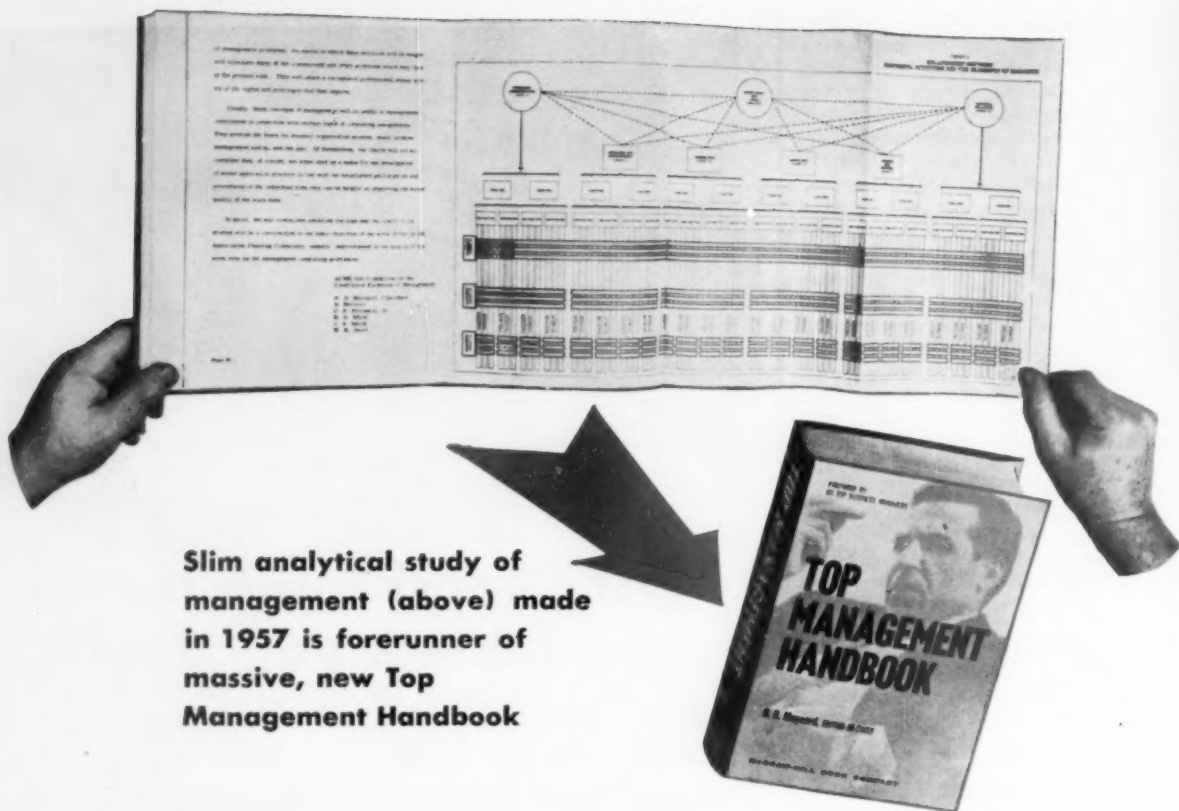
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The Big Brass Writes Its Handbook

The giant of a book pictured above (bottom) is one of the most substantial additions ever made to the library of management. Running over 1,200 pages and weighing nearly 5 lb., the Top Management Handbook (McGraw-Hill) edited by H. B. Maynard brings together the thinking of 60 top managers from large and small companies on management fundamentals and practices.

Its origins lie in a little-known analysis of management made in 1957 by the Assn. of Consulting Management Engineers (ACME). The slim 60-page study pictured above (top) was published as the Common Body of Knowledge Required by Professional Management Consultants.

Bridging the gap between today's big book and ACME's small study stands Dr. H. B. Maynard, president, Maynard Research Council, Inc., chairman of the board, H. B. Maynard & Co., Inc., and editor-in-chief of the new handbook. In 1957 he was chairman of the ACME committees responsible for preparing the association's analysis. And it was the picture of the task of managing developed by these committees, Maynard states, which now "provides a logical structure for the entire handbook."

• **What is Managing?**—This view of management, long accepted as orthodox

theory by most management experts, argues that:

- Managing is a separate and distinct activity, not to be confused with such technical or procedural work as industrial engineering or cost accounting.

- It is what a manager does when he tries to get results through other people. When a manager performs functional tasks himself, as often occurs in a small company, he is not managing.

- It takes place at every organizational level whenever one man is directing the activities of others.

- It is planning, guiding, directing, and controlling the activities of other people in order to achieve desired goals.

- It is a simple three-step process: You establish objectives, direct their attainment, and measure results.

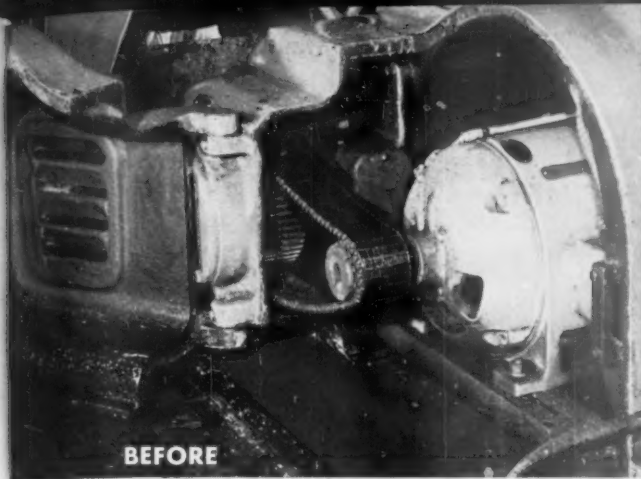
- **11 Elements**—This sounds simple enough, but it involves the 11 elements of managing, "the logical and sufficiently complete inventory of the most important things a manager does while managing." According to Maynard and ACME, managers:

- (1) gather information;
- (2) synthesize information;
- (3) plan;
- (4) decide;
- (5) organize;

- (6) communicate;
- (7) motivate;
- (8) direct, guide, or counsel;
- (9) measure, evaluate, and control;
- (10) develop people;
- (11) promote innovation.

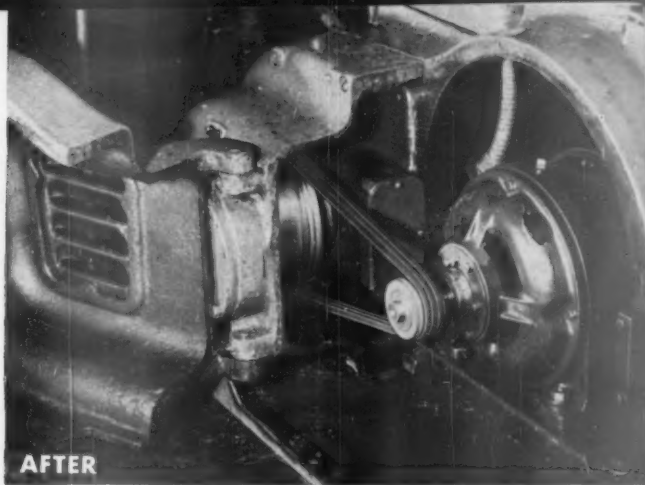
This theory of management was charted with an engineer's precision in ACME's little book. Now Maynard's big one displays in further detail and with greater clarity "the essential task of managing as it is performed by representative top managers of American business." It does this by presenting the actual practice of modern managers. Rather than an argument for the ideals of some reformer of business, the handbook is an analysis of the facts as they are seen and acted upon by today's top executives.

• **Top Executives**—The managers contributing to this effort range alphabetically from William R. Adams, president, St. Regis Paper Co., to Robert A. Weaver, Jr., chairman of the board, the Bettinger Corp. A wide variety of subjects are tackled. For example, H. W. Prentis, Jr., late chairman of the board, Armstrong Cork Co., discusses The Task of Managing; L. A. Peterson, president, Otis Elevator Co., writes on Establishing Objectives; Hobart C. Ramsey, chairman of the board, Wor-



BEFORE

Milling machines that put smooth jaws on Crescent Wrenches at the plant in Jamestown, N.Y. have been driven with a chain 3½" wide. Constant maintenance of the chain was required. Down time for installation of new links and pins in the chain cost 40 pieces per hour in production. The chain drive was replaced with a Gates High Capacity Super HC Drive.

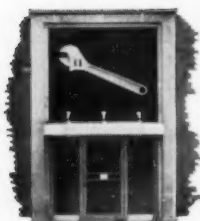


AFTER

Gates modern Super HC V-Belt Drive has been in operation 16 hours a day for 10 months with NO down time. Henry Sievers, Crescent Engineer, says: "This Super HC Drive is not only much cheaper than chain but cheaper than a conventional V-belt drive would have been. Now, other machines will be changed to Super HC Drives."

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One of the biggest improvements in power transmission in 20 years is Gates Super High Capacity V-Belt Drive. Virtually every manufacturer in the country can profit from the savings in space, savings in weight, savings in cost, this modern V-belt drive makes possible.



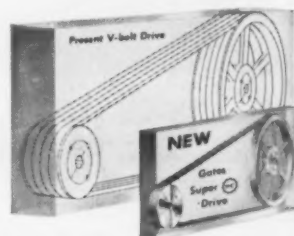
Crescent Tool Co., makers of the original Crescent Wrench and other famous Crestoloy Tools is one of hundreds of firms to discover these savings by installing a Super HC Drive on one of its machines.

Modernizing Drives Pays Dividends

Let a Gates Representative prove it. Consult your Yellow Pages for the nearest Gates Office or Distributor. Ask for the handbook: *The Modern Way to Design Multiple V-Belt Drives*. The Gates Rubber Co., Denver, Colorado. Gates Rubber of Canada Ltd., Brantford, Ontario.



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... it is a study of the personalities and predilections of a notable group of American managers ...

(STORY on page 126)

thington Corp., has a chapter on Organizing; Stanley de J. Osborne, president and chief executive officer, Olin Mathieson Chemical Corp., deals with Management Controls for Large Business, while Carter C. Higgins, president, Worcester Pressed Steel Co., does the same for Small Business.

There's even a chapter directed to the Role of the Top Manager's Wife. And it is written by one—Mrs. Harvey Picker, the wife of the president of Picker X-Ray Corp. It will likely become a lively subject for discussion at many an executive's breakfast table.

Promoting Innovation is handled by Thomas J. Watson, Jr., president, International Business Machines Corp.; Donald D. Pascal, president, National Starch & Chemical Corp., contributes ideas on Top Management and Research and Development; Clarence Francis, chairman of the board, Studebaker-Packard Corp., takes up Top Management and the Board of Directors; and Admiral Ben Moreell, retired chairman of the board, Jones & Laughlin Steel Corp., addresses himself to Top Management's Use of the People in the Organization.

• **Personal Touch** — The executives speak their lines in the first person, relating their experiences and imparting their personal philosophies. The volume is thus something of a study of the personalities and predilections of a notable group of American managers, and Maynard has included as a dividend a brief biography of each contributor. These help sketch in the background of top management in the U. S. today.

David Rockefeller, vice-chairman of the board, Chase Manhattan Bank, whose essay opens the volume, is listed as chairman of the advisory board for the 1963 International Management Congress in New York, and his six children together with his summer home in Maine are duly noted. Curtis H. Gager, former executive vice-president, the Coca-Cola Co., started his career with A&P. Robert C. Hood, president, Ansul Chemical Co., actively participates in bow-and-arrow hunting; during World War II he was a gunnery officer in the South Pacific. Henry Blackstone, president, Servo Corp. of America, at MIT got straight As in physics and mathematics while working as a janitor and library clerk.

Among his hobbies, T. Ross Moore, president and general manager, Anglo-Newfoundland Development Co., Ltd.,

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Wausau Story



Mr. Steinway (above) points out piano-making details to Anne Ference, Employers Mutuals Nurse. "A Steinway piano," he says, "is the result of many individual endeavors, coordinated into one fine product. Employers Mutuals people understand this. They work the same way." At left, Mr. Steinway and R. E. Dvorak, Employers Mutuals Resident Vice President.

by JOHN H. STEINWAY, Steinway & Sons, Steinway Place, Long Island City, New York

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"We know Employers Mutuals people are interested in helping us prevent accidents. From their visits alone, it seemed they were out to know about all the 12,000 parts in one of our pianos... and about every step during the ten months to a year it takes to build a Steinway.

"But it was in terms of safety that they watched our work and

working methods. As a result, the Accident Prevention reports to our management are a combination, like piano-making itself, of craftsmanship and devoted integrity.

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Employers Mutuals Safety Director C. H. McGinnis is told that 52% of the manufacturing cost of a Steinway is in workmanship. Over half of the Steinway workmen have been with the firm 25 years or more.

Employers Mutuals of Wausau



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... the businessman will get a chance to look at the job of managing as a coordinating function ...

(STORY on page 126)

lists curling (a game played by hurling stones at a target on the ice) and model trains. Carter L. Burgess, president, American Machine & Foundry Co., has been awarded the American Legion of Merit, the French and Belgian Legion d'Honneur and the Croix de Guerre avec Palme, and the Order of the British Empire. Harold F. Smiddy, vice-president, General Electric Co., is one of the four American members of the International Academy of Management. Fred G. Meyer, chairman of the board, Fred Meyer, Inc., at the age of 20 was panning gold in Alaska. Rudolph F. Bannow, president, Bridgeport Machines, Inc., left his native Sweden for America at the age of 13 with a fund of "useful" information drawn from James Fenimore Cooper's books about the American Indian; two years later he was making 64¢ an hour as a pattern-maker's apprentice.

• **Collective Portrait**—These and similar fragments from the lives of 60 representative top executives may be comparatively meaningless in themselves. In sum they paint an interesting and instructive portrait of the typical American businessman. Many a manager will find in these lives, just as he does in the managerial problems discussed, close parallels to his own.

But even more importantly, the businessman will get a chance to look at the job of managing as a coordinating function comprehending all the activities of business. From this angle, managing can be defined as a specialty itself.

• **ACME's Stand**—This is the view of ACME. As the "trade association" for some 40 of America's top management consulting firms, its interest is admittedly to make clear what it holds to be the "great difference between the professional management consultant and all of the other kinds of less qualified people who endeavor to advise management." It therefore recognizes only those who possess the broad "common body of knowledge" outlined in 1957—a body of knowledge covering all the special functions of business and management. Moreover, the field is so wide in ACME's opinion, that no one individual could be expected to be universally expert.

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Talking Hard Facts to the Germans

There still is a disquieting complacency among most people in this country about the persistently large deficit in our balance of payments. Even in Washington, except in the White House and the Treasury, there is frequently a blind disregard for the consequences that could befall the U. S. and the whole Free World unless our payments position is rapidly improved and the strength of the dollar put beyond doubt.

The facts are plain enough. Largely because of dollar transfers we have been making to Western Europe via our military expenditures there and our economic assistance to the underdeveloped countries, the U. S. has had an annual deficit of \$3.4-billion or more for three consecutive years. The total red ink entry for this period will reach \$11-billion by Dec. 31. As a result, our gold reserves have dropped by about \$4.5-billion since the beginning of 1958 and our dollar liabilities (much of them are readily convertible into gold) have risen by well over \$6-billion.

In recognition of this situation, Pres. Eisenhower two weeks ago announced his seven-point program to cut U. S. government spending abroad (BW—Nov. 19'60,p48). He then sent Treasury Secy. Anderson to Bonn to stress the urgent need that West Germany take over a considerable part of the U. S. military outlays in Europe. It was Anderson's assignment to warn Chancellor Adenauer that the time had passed for West Germany to free load on the U. S.—and that, failing full cooperation, Washington would be compelled to take whatever measures it deemed fit to protect the dollar.

These Administration moves were thoroughly justified and, if anything, belated. Yet, in this country, they have met with a good deal of carping criticism, some of it emanating from the State Dept. Indeed, Anderson has had almost nothing but abuse heaped upon him since he concluded his mission to Bonn. According to the critics, his mission was a complete fiasco because he failed to forewarn the Adenauer government of his intentions, left Washington with the illusion that he could get away with totally unrealistic demands, refused the help that Bonn generously offered, and generally created bad blood between our two nations.

Any reasonable assessment of the facts puts an altogether different face on Anderson's mission. The charge that he did not forewarn Bonn completely disregards the facts, as Eisenhower pointed out this week in a special statement concerning the Bonn mission. In September, at the Washington meetings of the World Bank and International Monetary Fund, Anderson bluntly stated his position to Economics Minister Erhard and Bundesbank Pres.

Blessing. Their evasive response ("Chancellor Adenauer is the man to convince") could hardly have left Anderson with any illusions about the reception he could expect in Bonn.

Whether or not he handled his case skillfully, Anderson did bring the basic issue out into the open by insisting that West Germany should not only launch an aid program befitting its wealth but also assume a large part of our military outlays. Bonn was put on notice that we are near the end of our rope and did, in fact, offer some cooperation (page 25). Unless more is forthcoming, however, the Adenauer government will have no right to complain if drastic measures are taken by the U. S., even measures that affect German trade or our troop strength in West Germany.

Another useful purpose could be served by this whole episode. It may hasten a much needed reexamination of the international economic policies this country has pursued since we emerged from World War II with unquestioned industrial supremacy and the world's only surplus resources. Since we are no longer in this enviable position, there must come a time when we ask how far we can afford to go in supporting our military allies and in committing ourselves to raise the underdeveloped nations from the depths of their poverty. Otherwise, by assuming obligations that we cannot carry, we may frustrate the very purposes we have been striving to achieve for so long.

A Bad Idea

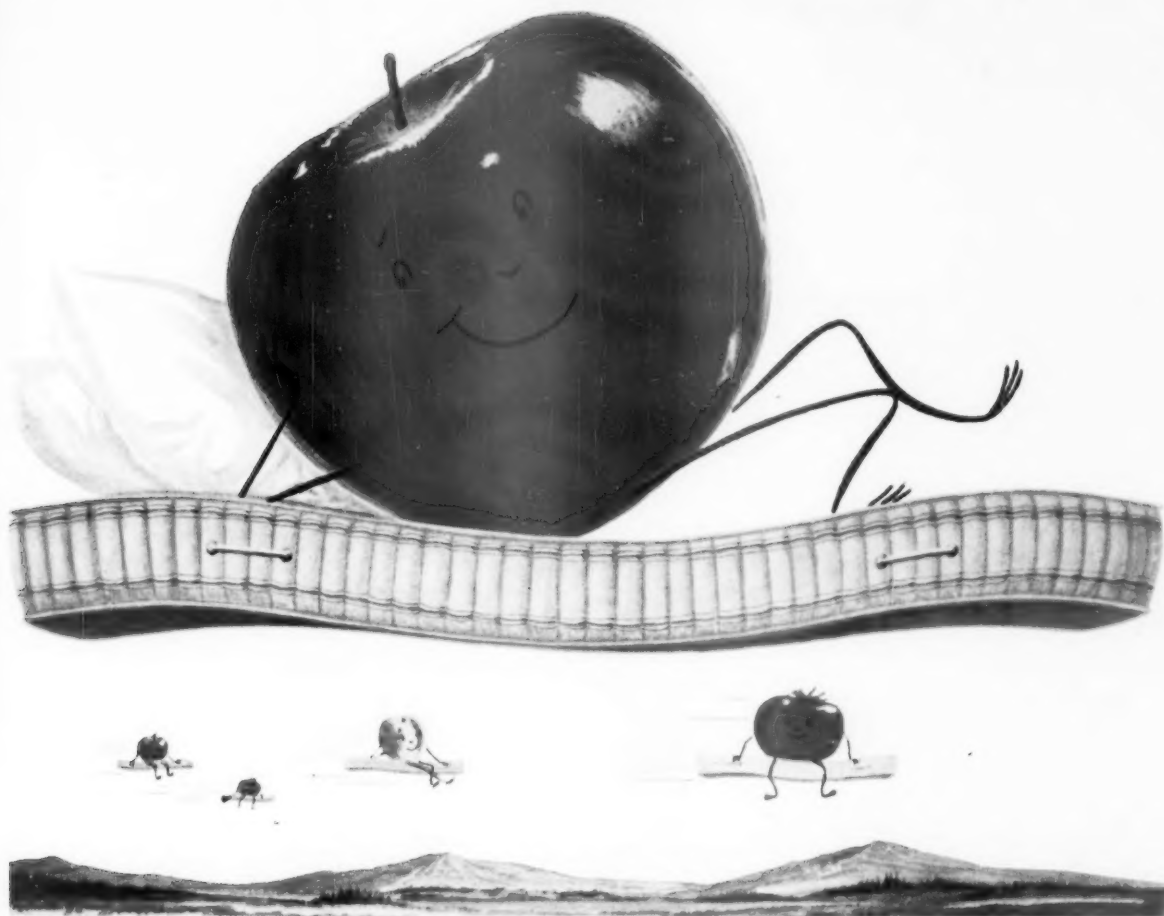
The higher the office a man holds, the lonelier he is. The Presidency, the highest office of all, carries with it the greatest loneliness.

One of the requirements it imposes is that in all appointments—and especially Cabinet appointments—the President must avoid even the faintest suggestion of government by crony or by relatives. Nepotism, like titles of nobility, has always been shunned in the American system.

For this reason, it is disturbing to hear the recurrent talk that President-elect Kennedy might appoint his brother Robert as his Attorney General.

Robert Kennedy undoubtedly is an able man. His brother may be able to find suitable uses for his talents—as Pres. Eisenhower has used his brother Milton on temporary missions of fact-finding and goodwill. But the blood relationship between the two disqualifies Robert for any executive job.

We hope that President-elect Kennedy will put an end to the rumors by announcing the appointment of an Attorney General whose claim to the post will be above suspicion.



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